Company Name: Europcar
Company Ticker: EUCAR FP
Date: 2018-03-01
Event Description: Y 2017 Earnings Call

Market Cap: 1,652.18
Current PX: 10.26
YTD Change($): +.01
YTD Change(%): +.098

Bloomberg Estimates - EPS
Current Quarter: N.A.
Current Year: 1.144
Bloomberg Estimates - Sales
Current Quarter: N.A.
Current Year: 2870.429

Y 2017 Earnings Call

Company Participants

- Olivier Gernandt, Investor Relations
- Caroline Parot, Chief Executive Officer
- Luc Peligry, Chief Financial Officer

Other Participants

- Raphael Veverka, Analyst
- Patrick Jousseaume, Analyst
- David Cerdan, Analyst

Presentation

Operator

Good day, and welcome to the Full Year 2017 Results of Europcar Group. For your information, this conference is being recorded. At this time, I would like to hand over the call to Olivier Gernandt, Investor Relations Director of Europcar Group. Please go ahead, sir. Your line is open.

Olivier Gernandt, Investor Relations

Hello, everyone, and welcome to our full year 2017 results conference call. In a moment, I will hand you over to Caroline Parot, our CEO; and Luc Peligry, our new CFO who will take you through the presentation, and then we will open up the line for questions. As today's presentation may contain some forward-looking statements, we invite you to read the important legal disclaimer on slide two 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's my pleasure to hand you over to our CEO, Caroline Parot.

Caroline Parot, Chief Executive Officer

Thank you, and good morning, everyone, for this full year results call on the Europcar Group results. I want to start with page six, where I will give you my views on the full year strategic highlights for our Group. 2017 has been for us a record year. We have been able to address all our strategic pillars, to continue to capture the growth in all our cost segments through our new organization; to find the opportunity in the promising New Mobility environment. And last but not least, preparing the digital journey for our customers around several programs focusing on customer mix, full mobile journey and day-to-day improvement of quality.

On our core business, our two major acquisitions, Buchbinder first, then Goldcar, have been pivotal in this acceleration toward the Vans & Trucks and the Low Cost segments. On Vans & Trucks, this acquisition would accelerate our business model repositioning with supersized new customer base target, while delivering already a number one position in Germany.

On the Low Cost, Goldcar is becoming our business unit Low Cost in 2018. This will allow to manage an effective measure of customer segmentation and to propose differentiated level of services covering all the labor market segments. Post the integration program, we'll be in position to offer low cost and value offer, while complementing our mainstream leisure business, Europcar.

On Europcar brand, we continue to deploy our digital journey program started two years ago. Our Click & Go program, focusing on a full mobile journey, has been launched. The program gathered accumulated internal know-how coming from our lab and innovation team. We have the core capabilities on full digital journey and internal processes and know-how to manage large-scale fleet services across our extended network. All those strategic directions are enabled by a strong and robust capital structure. Our cash flow profile provides strong potential to continue our ambitious growth model with capabilities on the debt market for fleet financings at improved condition and corporate leverage allowing both M&A and shareholder returns.

And finally, on the M&A side, you have noticed this morning our divestment in our minority stake in Car2go Europe, where the cash will be reallocated in our New Mobility development.

Please go to slide seven. This slide is a powerful summary of the Europcar Group today and shows how well it is prepared to face growth and new business opportunity, thanks to our organization setup focusing on, on customer needs. This BU model enable to reposition our customers offer to better match needs and market trends. An acceleration of our BU footprint, thanks to transformational acquisition to reach critical scale in each segment and market by geographies. The BU locals have been fully reshaped thanks to Goldcar becoming our BUs' car engine. The BU Van & Truck is well engaged on its business model setup and will focus on accelerating its position [ph] by market both organically and non-organically.

Acceleration of our geographical network footprint, thanks to further accretive franchisee acquisitions. And finally, deployment of our New Mobility around its main four activities: car-sharing, ride-hailing, mobility platform and peer-to-peer exercise.

I will now drive you in our main strategic initiatives towards the customer. Please go to slide nine. Digital distribution is at the core of the Group know-how (inaudible). Customer retention through digital experience is one of our key building block of our strategy towards new digital environment. Digital distribution representing 75% of our channel, but in particular, Direct to Brand on our website is growing fast inside Europe, targeting better insight on customer need, allowing increased repeat business. And retention is critical in the daily mobility journey. This Direct to Brand in B2C has been replicated in our B2B environment. Both are equally important to us from the balanced business model which we do operate. But where we see more and more B2B travelers behaving like leisure travelers. It is particularly the case in our SME business.

This trend in our Direct to Brand distribution has been core more recently (inaudible) thanks to our mobile booking sharp acceleration to reach currently 35% of our online sales. Distribution is essential and building the solid asset has been material to our growth. But even more critical is our CRM capacity to ensure an end-to-end brand experience and improved customer satisfaction and personalization.

Please turn to slide nine. Focusing on the customer knowledge to improve customer satisfaction and drive retention repetition and more personalized design to meet offers is at the core of the digital age. Two years ago, we kicked off first customer program with the aim to deploy self-help [ph] solutions in our Company. Today, the tool is deployed in our historical perimeter. The 360 degree view of each customer allows a consistent relationship with the company and is a strategic milestone to join the dots between our expanding number of brand and businesses. It will become a key enabler to manage customer in their daily mobility needs and promote our mobility offers from the traditional car rentals to car-sharing or ride-hailing services.

It is also a key driver of our NPS improvement for the company. As a matter of fact, over the last two years, along with a very strong focus on Net Promoter Score, we have seen a very good development from 45 points in 2015 to 55 points in 2017, all employees and management being incentivized on these indicators from the station to the HQ. Our recently launched NPS110 program to further enhance quality in all our services is relying on this new CRM data to address the daily concerns of our customers.

Please turn to the next slide on the digital station. Net Promoter Score positive development could not happen without the constant effort at station level to ease experience for customer and for staff. Indeed, pickup and return are two critical steps in current [ph] customer journey in terms of customer satisfaction. (inaudible) when everything can geographically (inaudible). Several digital solutions have been put in place with a core focus on our top 40 airports to enhance customer experience.

The first example is a solution to provide B2B customers the possibility to skip the desk and to go directly to the car after retrieving the keys on a self-service kiosk. This has been deployed broadly in Germany, our biggest market. And now comparing [ph] a large success, with 30% of eligible customers selecting these services. At the end, it is a 99% digital booking and pickup experience.

Second, on the return part of the customer journey, we are deploying currently a mobilized solution to manage a full return process. Collecting all information like mileage, fuel, damages, (inaudible) and so on, instantly signed off by the agent, and the customer (inaudible), avoiding the stress and the hassle of traditional paper and off-line processes, a peace-of-mind solution for our customers. We are currently looking into providing the same feature to customer directly so that at the key point, we can manage and enter that process.

Please turn to the next slide. Operational excellence at Group level encompass all our customer programs to enhance customer satisfaction. It is also strongly relying on our operation managed customer in our network. Operation is usually described through obvious KPIs, while the newer [ph] on fleet management, fleet utilization and our strong control of the fleet holding cost in the direct business model are a must. It is, as importantly, our staff indeed manage our customer in our main location that are airport. Our program airport dedicated to enhance customer management are live since two years and continue to deliver record progress on the customer management in the waiting time while managing savings on the spend on car preparation.

This current customer progress we report rely on our people, which is a good transition to our Corporate Social Responsibility program. It is not about the CSR report, but about our Group culture focusing on the new fast-moving environment in the mobility world and position the transformation of the Group at the core of every activities. It is about how to manage environmental, cultural vision in our operation from greenwash to promote EV vehicle or hybrid vehicles and many other activities. It is in fact about people. Diversity in the way we recruit, diversity in the way we train and manage the transition from a daily operation-centric activity to a customer-centric focus, with new set of skills in the digital environment. This program is at its inception, but we show already progress in some area and our people focused (inaudible) progressively through many HR local initiatives and Group initiatives.

Finally, on the final two slides. Our financial results will be covered by Luc in a detailed manner. But as a main key takeaway, this performance reflects a record year for the Group. A strong growth in revenue effected solid organic momentum and Group M&A repositioning. A strong resilience of the Group in its core business model. While being negatively impacted by the UK damage process during half year, the Group has been able to report a solid growth in EBITDA of 7% showing the capacity of the Group to progress despite some adverse unforeseen events.

Now I leave the floor to Luc for the detailed financial analysis.

Luc Peligry, Chief Financial Officer

Good morning, everyone. So regarding to -- on slide 14, so we will start with the revenues. So revenues stand at EUR2.412 billion at the end of 2017, enjoying a strong double-digit revenue growth trend at 13.5% at constant exchange rates, more than 280 million growth in terms of sales. It is mainly driven by contribution coming from acquisitions, mostly Ireland, Denmark and Buchbinder. I remind you that Goldcar, which has been acquired late December, has no impact on 2017 P&L but will impact the corporate debt as we will see later.

On top of this boost coming from acquisitions, the Group achieved a solid organic growth performance of 3.4% excluding petrol; 80 million for the full year, driven by leisure, 56% of the sale; and corporate demand across our major markets. On the corporate EBITDA, excluding New Mobility and Buchbinder, we achieved EUR273 million. It is a 8.1% growth compared to 2016 figure, 4.6 at constant exchange rate. As a reminder, adjusted corporate EBITDA exclude 264 million is excluding mainly New Mobility, which recorded a negative EBITDA of EUR13.3 million and Buchbinder, which recorded a positive EBITDA of 6 million.

Reported revenue is up EUR2.3 billion on the same perimeter as adjusted corporate EBITDA, we achieved a margin rate of 11.83%, which is a slight increase compared to last year when we just achieved 11.80%.

Next slide. Net income reached EUR60 million this year 2017. It's down compared to 2016 for two main exceptional reasons and two main reasons. We had non-recurring expenses, which reached EUR71 million in 2017 versus EUR21 million in 2016. This amount was for the most composed of HQ restructuring, 20 million; UK Trading Standards, EUR 33 million; M&A fees, with both the acquisition we made, for 13 million; and transformation consulting fees for 11 million because of the journey of the transformation of the Group. And the second aspect is the higher financing charges of 20 million. You probably follow all the operation that we have done in this year with the redemption of the 350 million fleet bond, transaction fees for the equity increase, bond fleet bridge financing put in place for Goldcar late December.

On top, we recorded a more normative income tax level versus 2016 when we received some tax reimbursement in the UK and Spain for 7 million. Without these non-recurring elements, which have penalized our performance by 70 million, we would have been in a position to deliver a net income comparable to last year and to distribute a higher dividend in value. As far as the adjusted corporate operating free cash flow is concerned, we reached EUR126 million in 2017. And as I will explain later in the presentation, we have decided to communicate this item excluding New Mobility as we do with the EBITDA, which has been this year significant impact with Ubeeqo. Now it is fully consolidated for the last nine months. Ubeeqo was -- the balance of the shares were both early on the first quarter of this year. And the negative EBITDA we have on New Mobility is 11 million.

And two one-off items, the UK litigation and some M&A fees for 22 million. When adjusting these two -- these three items, the adjusted corporate free cash flow conversion reached 46% in 2017, slightly below the 50% guidance that we gave, but which is already a great achievement given the heavy program of acquisition and transformation that was achieved in 2017. I will come back later on the calculation of the adjusted operating free cash flow. As a reminder, if we were to adjust all the 2017 non-recurring items, I mean, 71 million plus the 13 million in New Mobility, our corporate free cash flow conversion rate would have been 7 -- 63%, which is much closer to last year's level.

Next slide. So now we are going to talk about the engine of the core business with four key drivers that we have. So we can see on the rental volume, very good performance in volume with strong growth in rental days. We grew by 16% plus 10 million days rented this year, split between 7% organic growth and 9% coming from acquisition. 40% of the organic growth comes from the Low Cost strategy implementation, which is very successful. In terms of price, RPD -- the blended RPD recorded slight decrease of 1.5% at 20 -- at EUR32.6 per day, which as you know does not mean much per se as it varies from between corporate, leisure, cars, vans & trucks, low cost, the duration and I will comment the RPD trends per BU on the following slide.

The next one is the utilization rate, which declined by a small 10 basis points as a result of the integration of Buchbinder, which weighed negatively on our Group figure. Buchbinder, which operates mainly in the Vans & Trucks business, has an utilization rate of 62% and was a significant drag on the Group's average utilization level. However, as far as the Group is concerned on organic growth, we see a slight increase, with significant increase of 40 basis points coming from 17.5% last year to -- 76.5% to 76.9%. This strong increase in terms of utilization at organic growth is majorly linked to the Low Cost business where we enjoy a global rate of 83% and especially in the southern countries like Spain or Portugal where we have 88% of utilization rate on the Low Cost area.

The last KPI I would like to comment is the fleet cost per unit, which is covering the holding cost and the operating cost. This number is flat year-on-year, but we can see that it's a good performance because it includes the poor performance of the UK and the damage process that we faced in the UK. The consequence of this accident penalized our recovery ratio from 51% in 2016 to 49% in 2017. We would have been at the same level for the UK, we would have increased our recovery ratio to 54% in 2017, so up 240 basis points.

So now we can say that, as Caroline mentioned, our repairs and damage business in the UK is now working normally, and so we do expect to have a recovery in the 2018 figures. So to conclude the final figure being the same as last year for this monthly fleet cost, we can underline the good performance of the other countries because of the UK and the (inaudible) to align countries on the best performance.

Next slide. So we have now the breakdown by BU with the Cars, Vans & Trucks and Low Cost. We can see a good revenue growth momentum across the three main business units with a particular mention on the 42% growth on the Low Cost that you can see on the right-hand side delivered by our Low Cost and InterRent business in 2017. And even a 71% increase with the Irish acquisition made, which is mainly focused on the Low Cost. This is a result of our Low Cost strategy, which has been deployed on the southern country; and the implementation of the InterRent brand. This strategy will be reinforced, of course, by the Goldcar acquisition, which will bring more than 300 million sales. Actual figure will -- the actual figure of the Low Cost will nearly quadruple and all this knowledge on how to maximize the value of our Low Cost business. This combination will get the Group a strong leadership in this segment.

Vans & Trucks benefits from the Buchbinder acquisition, of course, and the deployment of our strategy per BU, which enables a global (inaudible) segment with the right means, people skills, stations, models, pricing, targeted customers and durations. In terms of RPD, what we can see, slight pressure on RPD in cars we use down 0.8 in 2017. This decline is the result of the pricing pressure we experienced in our key European markets over the summer, during which we experienced a noticeable over fleeting, particularly in the Southern European markets. The acquisitions are relative in this segment because of the RPD in the northern country, which is higher. Vans & Trucks RPD is flat due to the positive contribution of Buchbinder. On an organic basis, rental per day in Vans & Trucks was down 4.1% as a result of our shift in strategy and focus on extending the duration of our rentals and increasing the utilization, and hence the profitability of our Vans & Trucks business unit. Low Cost, RPD up 8.3%, benefiting from our value-enhancing pricing strategy across our Low Cost network and a more positive mix effect as we generate more revenues outside of Spain and Portugal.

Next slide. I will comment now the margin after variable cost by business unit. As you know, from our current presentation and the presentation that we did at the Capital Markets Day, now the Group is going through a significant transformation to run the activity through BUs from cars, Low Cost, Vans & Trucks, New Mobility and to develop a global strategy by segment, by BU, with a BU Director at Group level and a local implementation country-by-country. In that respect, the Group is progressively adapting its metrics and KPIs to monitor closely the performance of each of these business unit. So as a new addition to the presentation deck, and to give you a measure of the profitability of our business unit, we have chosen to disclose the first approach of profitability by BU through the disclosure of each BU margin after variable cost. Margin after variable cost means all the cost which are directly linked to the BU. So either revenue or rental revenue. But we don't have the fixed cost, which are linked to this organization, which are network, station cost and HQ cost. It will come.

Pretty much know that through the three BUs, I've seen an increase in terms of margin after variable cost during the year 2016. So we expect to continue to grow, to deliver significant margin upon all our BUs as we grow them further, particularly in Vans & Trucks and Low Cost, and as we implement further rationalization measures across our variable, but also at our fixed cost base. So the next step as far as the fixed cost base is concerned, is the rationalization of the station, the network station and the HQ, headquarters. And these two areas are addressed in the strategic transformation programs run by the Group under the Network as a Service and HQ 2020.

Next slide. Corporate net debt. So the corporate net debt has increased significantly in 2017 from 220 at the beginning of this year and closing at 827. It results, of course, mainly from our intense mergers and acquisition activity in 2017 as we have acquired the rights of Ubeeqo, New Mobility, Europcar Denmark, Buchbinder, Goldcar and a minority -- 20% minority stake in SnappCar under New Mobility for a total amount of EUR729 million.

We have then the operation free cash flow, which is EUR91 million. It includes all payment there including New Mobility, of course, the cost -- the share of Buchbinder acquisition and the total non rec of 71 million. On top of the acquisition of the financing that we will detail in next slide, we made this 191 million capital increase in June in order to finance a portion of the Goldcar acquisition, and 171 was straight from the market and 20 million was taken by

Europcar team, representing one-third of the staff showing the attachment, loyalty, but also the strong belief for Europcar teams on the value creation attached to this acquisition.

We paid 59 million dividends in June, 50% of 2016 results. And this, the last column of the chart, is the financing operations, 61 million, which generated some exceptional cost for 23 million and some costs which were capitalized. So these costs are under the last column of the 61 million column. Regarding the leverage, as mentioned during the Capital Market Day and according to our guidance, our leverage is below 3, at 2.6 times at the end of 2016. This calculation is done on the pro forma corporate EBITDA basis. We stated from the Buchbinder -- the 8 months Buchbinder meeting [ph], the Goldcar on the 12 months, which gives a corporate EBITDA pro forma of EUR360 million.

Next slide. 2017 has been a very busy, challenging and successful year for the finance and treasury department. Our actions were addressed on two main compartment of the debt, of course, the corporate debt that we just detailed and we have numerous acquisition, with two significant transaction as we expect [ph]. 600 million on Goldcar, a bond which has been issued for Goldcar acquisition and the extension of the revolver facility from 350 million to 500 million. The second compartment of the debt is, of course, the refinancing of the fleet debt because of that acquisition. It's a key driver of the synergies and acquisitions and saving at Group level.

Two main transaction to illustrate this achievement. First is the Goldcar deal where we have made 10 million savings on the first day of acquisition because we set 450 million asset-backed financing pre-acquisition to switch from Goldcar existing conditions to Europcar financing conditions. This is the first thing. The second thing is the refinancing of the 350 million fleet bond, which is -- had better conditions than the original one, generating EUR10 million savings per year. I must say being new in the Company that the global combination of the fleet management team and the financing team is really a major asset for Europcar Group to generate some savings.

What are the key events for 2018 on terms of financing? We will have the extension of the securitization program to cover Goldcar and to extend the maturity. We probably have a tap on the fleet bond to cover the Goldcar fleet. We will have the refinancing of the UK probably through a dedicated securitization program. We will extend the original IPO bond to 2022 to have better condition and to extend the maturity as well. And of course, we will extend the maturity of the aging of the debt given the amounts we are going to put in place.

Next slide. Maybe just a little -- last word on the debt. We are frequently asked about our sensitivity to interest-rate fluctuation. And I take this opportunity to remind you that our fleet debt in euro is fully hedged for the part which is variable and the current maturity 2020, but we are now negotiating some extension till '22 or till '24, and that will be done before the end of March.

To finish with and to close, it's the adjusted corporate operating cash flow conversion. So this is the last bridge. So we assess this performance at the perimeter, excluding New Mobility, which is still in its building cycle with a 13.3 million negative corporate EBITDA in 2017. That explains the 277 basis that you have on the left-hand side. To calculate the transformation, we have adopted the classical methodology, I would say, corporate EBITDA less the non-recurring events, less the change in non-fleet working capital, the fleet -- the CapEx, and of course, the income tax paid.

However, as far as the 2017 is concerned, we have excluded two major exceptional items due to the amount. The large amount of M&A activity, we did more than 730 million bids done and paid. So this M&A deal has generated some EUR14 million fees that we excluded from this calculation. And the second thing is the standard litigation in the UK where we had 8 million cash expenses covering legal fees and adviser fees and that has been included from the calculation. So given these two items which were excluded, generating the 22 million green that you can see on the bridge, the cash flow transformation -- conversion, sorry, was 46%. So we have a 46%, which is below the 50% announced. But still, it's very important given the level of exceptional cash items reported in 2017 due to the acquisition and the transformation program by the Group as well. Thank you.

Caroline Parot, Chief Executive Officer

Thank you, Luc. Now more perspective on the Group going forward, 2018 and beyond. We are on page 23. As said in our last Capital Market Day, Europcar Groupe is operating in a strong growth market environment. Our core model is growing as expected now until by 2025, which is confirming our long-term growth views and we are well-positioned to face those growth opportunities. Thanks to our know-how to manage large-scale business, fleet and network customer on a profitable manner, we are also ready to address the emerging business models around car sharing, which, in fact, is carpool by minutes and by hour.

This is our market that we address thanks to the new digital environment, (inaudible) platform and digital platform. And in addition, the platform business around New Mobility in cities, notably ride hailing, is another opportunity to extend our capabilities around the fleet management and around service management in our network in complement to the existing core model. What does it mean for our 2020 journey on the next slide? Our journey towards 2020 is relying on comprehensive programs leveraging the key asset, namely network and customer of the Group today and enhancing our capabilities through progressive digitalization of our offers and processes.

We will continue to enhance our customer engagement with several programs already engaged during the year 2017. Digital marketing and customer offers have been fully reshaped since one year in that respect. Full mobile digital journey program and connected car capabilities have already been launched and will be progressively developed or deployed within the full Group perimeter. We will continue to increase our footprint with organic growth in all our perimeters and selective accretive acquisitions to deploy our strategy in segments.

And finally, we will focus on the scale-up of our New Mobility business, leveraging our network know-how and capabilities. Fleet management in large-scale network services and customer digital tools are key enablers to say there's good market opportunities in the New Mobility. Our 2020 ambition on the page 25. During the year 2017, foundation to reach our 2020 ambition in terms of business model and financial metrics have been settled. Our focus in the next three years will be to manage the integration of our recent acquisitions. The next 24 months we will focus on the delivery and the Group brand [ph] architecture, which results directly from this new (inaudible) especially around the Low Cost segment. Operational excellence, in particular, around fleet management and optimization, will continue to deliver levers as done through several years.

Our HQ rationalization through shared service center logic and now more digitalization will allow more synergies and a portion of them will be reinvested in the marketing and digital program supporting our Group customer journey and development of our new offers to mobile application. And finally, important, our operating leverage, we will be very vigilant to pursue our profitable growth and focusing on new and profitable markets and segments to deliver efficiency across the network.

On our cash allocation on the next page, page 26. This cash allocation, capital allocation has been to fuel both growth acceleration and shareholder returns. On our non-organic growth vision, our strategic ambition for the future relies on both organic and non-organic ruled by a strong balance sheet structure and resilient cash flow generation off-setted by each. While our sharp focus will be customer journey and integration of our recent acquisitions, we don't exclude some bolt-on acquisitions when accretive on franchisee on our BU, Van & Trucks. On the New Mobility business unit, (inaudible) envelop of investment to scale up this division has been allocated for the next three years between EUR150 million and EUR250 million for both CapEx and M&A. You have obviously understood that we will direct our 70 million cash cost on car2go directly to fund this envelope.

Our non-fleet CapEx, excluding New Mobility, will be at an average of 50 million per year, focusing on the continuous digitalization of our customer journey and integration of our old brand strategy. On the shareholder returns and relying on our balance sheet and cash flow structure, we will continue our dividend policy, i.e. a payout ratio of at least 30% and practical share buyback funded by excess cash when appropriate.

Now on our guidance for 2018 more precisely. On the revenue side, European leisure trends continue to support our organic growth view. B2B mature segment will continue to develop on a GDP-driven momentum, while our SME programs to get the local opportunities continue to develop. Our revenue growth will therefore reach a growth about 3% on an organic manner. On our profitability side, (inaudible) adjusted corporate EBITDA. While our margin delivery above 15 -- 14% in 2020 is our ambition, the strong evolution of our perimeter over the last 12 months made us guide the profitability level in an absolute number for 2018. Indeed, we have acquired several significant operations, representing about 35% of our historical perimeter, and we need to drive the margin level across the next quarter, learning from the seasonality.

We are confirming our synergies confirm [ph] on those operations and already worked for more. The synergy we will deliver progressively across the next 24 months, but we want to stay cautious in the first year to manage all the relevant integration impact into the people, IT integration, brand repositioning and distribution channel pre the high season of this year, starting in less than two months from now on. Pre-synergy, we are confident in the expected growth in revenue and EBITDA of both Buchbinder and Goldcar operation, which are continuing their successful development in their market segments and geography. To be noted, Goldcar in 2017 faced a similar overstated marketing spend during the summer. We will report it at Europcar level during Q3.

On our historical perimeter, while continuing to invest in our customer area, which I mentioned largely before, quality retention and digital processes, the UK perimeter remains a challenging country now due to its weaker economic environment following the Brexit. We have fixed the match processes, but the journey in this economical environment is direct [ph] compared to the rest of the Group.

As a result of the above, our adjusted EBITDA for the year 2018 will be above EUR350 million for the first year, taking on (inaudible) view on our perimeters. Our adjusted corporate operating free cash flow conversion, excluding New Mobility, will be above 50%. The year 2017, as mentioned by Luc, recorded numerous restructuring items from UK to M&A and refinancing and restructuring, most of them being enabler to prepare the strong growth momentum that will become effective in our 2020 year [ph] -- 2018 and next year in our P&L and free cash flow. This conversion level is key in our deleveraging profile, allowing the Group to pursue growth momentum opportunities, as discussed earlier.

And finally, importantly, our returns to our shareholder where we maintain our dividend policy of dividend payout ratio being at least 30% and you have understood that this year, net income was not normative following the numerous acquisitions we are managing during the year.

With that, I leave the floor to all the questions with Luc and myself.

Luc Peligry, Chief Financial Officer

Operator?

Questions And Answers

Operator

Thank you. (Operator Instructions) We'll go first to Raphael Veverka with Exane.

Raphael Veverka, Analyst

Good morning, thank you for taking my questions. I will have three on my side. First, if we could come back on your guidance. So if we read correctly, your pro forma 2017 EBITDA x New Mobility solution is around EUR330 million. So your guidance of 350 million would imply only 20 million improvement. And so, if we take into account maybe a bit of synergies from Buchbinder, the negative one-offs in 2017 such as the UK fleet financing cost, which have been lower, so this would implicitly imply very limited to no organic EBITDA growth for the underlying business. So just to come back, is this a fair assumption? And if yes, should we read that the guidance is conservative, that it is maybe factoring some additional integration cost? Or are there some underlying headwinds we should be aware of? And I'll ask my second and third question after that.

Olivier Gernandt, Investor Relations

Do want to say all the questions or should we take them one by one?

Raphael Veverka, Analyst

Yeah, sure.

Caroline Parot, Chief Executive Officer

So our business -- you asked several questions here. You have the underlying historical perimeter business growth and the way we are delivering the profitability through the new acquisition and perimeter. We are strongly confirming on the new perimeter the synergies we were evaluating during the acquisition process for both operations. And we are even working for more. To be fair on the (inaudible), we acquired very late, in fact, in the perimeter, the Goldcar perimeter. So the delivery of the synergies is not changing in our mind. But how to spread them through this season, which is (inaudible) in this very seasonal operation is really what we are working on and the season is coming -- is starting in less than two months now and we need to integrate people, IT system and brands.

So we want to be cautious. We are not changing our view on all the synergies, but we want to remain cautious in the quarter-by-quarter delivery to be sure that at the end of 2019, we get all synergies together and we are not leaving anything less on the table. So this is really select timing of Goldcar, managing for us (inaudible) the starting point of Goldcar whilst slightly below the initial view due to the -- similar in Spain where it was over-fleeted, as you remember, for everyone and as well for Goldcar. But we don't change our mind, our profitability pattern and in the delivery of the synergies. But we want to be very cautious in the way to deliver the right profitability for the next 24 months.

I guess your second question was more on the historical perimeter where we continue to grow in all the perimeter historically. We have a strong focus on profitability. Nevertheless, we were impacted in 2017 by the UK perimeter on the damages in a weak economic environment from this perimeter. We have fixed the UK damage process, but it's fair to say that we are still working in a weak economic environment -- in a weak environment story. In 2017, the UK cost us probably between 60 bps to 70 bps of margin in the way they were operating. We are not recovering the full margin this year. So we are fixing the story. That's why we want to remain cautious in the recovery of the economical story for the UK. So (inaudible) questions. We must deliver, we will deliver, that we are progressing (inaudible) and the integration of one-third of the Group with the acquisition is really taking the bulk of the skills and doing everything parallel, we prefer to go progressively without [ph] we miss any single point.

Raphael Veverka, Analyst

Okay. Thank you. And my two other question was, on one side, if you could give us some guidance for non-fleet finance cost and restructuring cost of this year. And second, if you could give us some update on pricing trends in your main market going into the beginning of the year.

Caroline Parot, Chief Executive Officer

On the, I think, on the CapEx.

Luc Peligry, Chief Financial Officer

Non-fleet working capital?

Raphael Veverka, Analyst

Non-fleet financing cost. Just some guidance after the change experiment in the balance sheet structure over 2017. If we have a bit more color on maybe on what we should expect this year?

Caroline Parot, Chief Executive Officer

It will -- we'll guide you --

Luc Peligry, Chief Financial Officer

He is talking about the 61 million column that we added on the corporate bridge?

Raphael Veverka, Analyst

Yeah, true.

Luc Peligry, Chief Financial Officer

It should be half at least because, one, the last part was due to the restructuring cost of the debt. So next year, it will be minor. It should be half, I would say, 30 million.

Raphael Veverka, Analyst

Okay.

Caroline Parot, Chief Executive Officer

On the non-recurring items, so we do appreciate that this year, we were making at the end of the year or during the second quarter of the -- second part of the year, mainly restructuring activities, especially on the core perimeter to rationalize the beginning of the network. The envelope will be obviously totally different next year considering limited M&A views because we're focusing on the integration. So we do follow a view that it will be between 20 million and 30 million, depending on the speed of the integration of our acquisition, because we are integrating 700 million of revenues this year and we need to follow the path with them. So this is our view for the next year.

On pricing trends, it's too early because we are in a very, very low quarter and the beginning of the year, it's never giving a signal of anything. We do focus on rebalancing ourselves, our price positioning in every of our market following the acquisition of Goldcar. So the pricing trends, again, I can comment (inaudible) thing because we are ourself repositioning the brand value between themself to be able to size the market growth in the story. What we can say is that the, Low Cost segment is really a fast-growing market in Europe. We see that everywhere in the southern countries and we are very pleased to be able to have the Goldcar tool to answer efficiently to this market trend.

Raphael Veverka, Analyst

Okay, thank you.

Operator

We'll go next to Patrick Jousseaume with Societe Generale.

Patrick Jousseaume, Analyst

Yes, good morning. I have some question also. First of all, coming back to the pro forma adjusted corporate EBITDA of 2017, could you give us the figure again? If I calculate well, the net debt divided by 2.6, it gives something around EUR118 million [ph]. So just to be sure about this year. Second question regarding pricing, I have noted, looking at the appendix, the RPD was something around 0% in Q4. I have noted also that Avis and Air France have published results, slightly positive RPD figures for Q4. So should we see this as a, let's say, positive sign regarding RPD in the business?

Also, tax rate, could you give us some guidance regarding tax rate in 2018? And finally, regarding New Mobility, you mentioned (inaudible) that will guide for the loss that we should forecast year after year. So could you give us also guidance regarding New Mobility dossier [ph] for 2018.

Caroline Parot, Chief Executive Officer

Okay. I will take the last two questions and Luca will jump on the financial metrics. On the New Mobility, you're right, we do believe this year, the losses for the fleet perimeter was something which was between -- it was EUR13 million of losses. We will be slightly above that level, between EUR13 million and EUR15 million, we will see 15 or 16. But it is really the ballpark where we are contemplating. In fact, we are growing the revenue while maintaining the level of losses. And (inaudible) customer reach, you know that in the ride hailing business, we do operate. There's a good progression with nearly aggressive in mobile [ph]. And in the New Mobility car-sharing, we are expanding by maintaining the development [ph] and expanding the footprint.

On your question on the pricing specifically, we will obviously (inaudible). So we see that the pricing level that we're probably a little bit under pressure during the summer, came back to something, which was less difficult. It is no more in the (inaudible) as well. On the Low Cost, we do feel that we are able to continue to manage a nice margin, and we have been able to report nice positioning in our Low Cost segment ourself, so we see this trend. That being said, we are at the beginning of the year, so it is encouraging and we need to be -- to rely on this integrating [ph] movement, but we will see how it will develop during the season where the fleet will make the difference as we go. On the other point, I'll let the story to Luc.

Luc Peligry, Chief Financial Officer

Okay. As far as the corporate EBITDA is concerned, for the pro forma for 2017, we are -- it's 316, so you're close to the figure that we announced, 318. So that includes, of course, the balance of Buchbinder and the full perimeter for Goldcar.

Patrick Jousseaume, Analyst

And for the tax rate?

Luc Peligry, Chief Financial Officer

Sorry.

Patrick Jousseaume, Analyst

And for the tax rate.

Luc Peligry, Chief Financial Officer

Tax rate --

Patrick Jousseaume, Analyst

I had a question which was guidance on tax rate for 2018.

Luc Peligry, Chief Financial Officer

It will be 25%, I think, roughly. There's nothing exceptional this year.

Caroline Parot, Chief Executive Officer

So Patrick, it is the guidance view [ph] from today, obviously, we are integrating and we will see how we can manage the integration of the two new perimeter, which are now significant for us. And depending on tax rules, we will see if we can optimize or not. So we complete [ph] this way now, that it is the late closing of Goldcar was, for us, something we have to integrate through the strategy as well (inaudible) which could be seen as conservative, but just for the first year, we need to work on it.

Patrick Jousseaume, Analyst

Okay. And just to go deeper for the pro forma on 2017, is it possible to get the figure of revenue and adjusted corporate EBITDA for both Goldcar and Buchbinder for these two years -- for this year, for year 2017?

Caroline Parot, Chief Executive Officer

You know that we don't like to communicate vacancies [ph] of the perimeter in a very competitive and challenging environment. So the question is really nil. In addition to that, we are merging, as we have understood, the synergies between InterRent and Goldcar. So we don't perceive that, not in front of the competition, and Buchbinder, which is playing even more in a very sensitive market which is Germany with (inaudible), we don't want to report feasibility by area, which is not our policy. We are on track for sure on the synergy target for the Group.

Buchbinder is going very well. Goldcar is doing well while having the same or roughly seeing market region that we were facing during the Q3 in Spain. It doesn't change our view on this asset going forward. But it's fair to say that it was slightly below the initial expectation for the year '17. (inaudible) our vision on the tools we have to compete in the Low Cost segment with a varying and efficient operation. Obviously, on the fleet side in that perimeter, we won't be able at all where we were thinking we will be -- we will have some opportunities for 2018 because the (inaudible) didn't allow us to move on the synergy pattern for the fleet, which we do feel is even higher than what we are anticipating. So we are (inaudible) a program, first, to size the market growth, capture the customer, manage top client synergies, maintain the level of profitability while maintain progressively the synergies on key financing, but in the other part that we are delivering today. But we will report the new business unit, Low Cost, together in the new setup but it won't be a pure single Goldcar division.

Patrick Jousseaume, Analyst

And last question on my side, if I may. Regarding UK, you mentioned an impact of UK on your margin, if I understand well, of 16 to 17 basis point, if I'm not wrong.

Caroline Parot, Chief Executive Officer

60. Sorry, 60 to 70.

Patrick Jousseaume, Analyst

Okay, okay, fine. That sounds better. Thank you.

Caroline Parot, Chief Executive Officer

No, it's (inaudible). It's fair to say that, the UK damage story cost us this amount of money in this UK perimeter where the weak economic environment following the Brexit, when you have an litigation in the meantime in one of your key process is not helping you to work out the full story. So we are still operating in a weak economic environment in the UK. We are (inaudible) process, but we are working really to reinstall a strong profitability that even though the damage for that is fixed, we actually -- the business (inaudible) progressively to address differently this market.

The business with unique logic in this market will be implemented, including Low Cost, including the Vans & Trucks. That's why in our view we are cautiously managing it to be sure that we are going to deploy and I prefer we deploy and we see the results rather than thinking that we can recover like-for-like basis within [ph]

tomorrow morning in this context. So the UK is costing us 20 -- this year, 2017, a significant amount of margin. It is still not delivering as a margin of the Group in 2018, but it is being fixed progressively.

Patrick Jousseaume, Analyst

Thank you.

Operator

We'll go next to David Cerdan with Kepler.

Luc Peligry, Chief Financial Officer

David?

Operator

Please check your mute button.

David Cerdan, Analyst

Hello?

Luc Peligry, Chief Financial Officer

Yeah, hello.

David Cerdan, Analyst

Yeah, sorry, I was on the call from the website. So maybe I am sorry to be late. So just a very simple question. So you said during the call that your pro forma adjusted EBITDA was 316 for 2017 and this not include, of course, the New Mobility solution. So just a clarification on this point. Second, regarding the non-recurring expenses for 2018. So you say that you expect to -- those expenses to decline, but do you include the expenses related to the synergy plan? And what could be the volume of costs related to the synergy plan? Thank you.

Luc Peligry, Chief Financial Officer

As far as the 2017 pro forma is concerned, this 316 do include -- that include the New Mobility, 13 million New Mobility.

David Cerdan, Analyst

And New Mobility, what was the loss, operating loss?

Luc Peligry, Chief Financial Officer

The loss was 13 million, 13.

David Cerdan, Analyst

That 13 is on a pro forma or --

Luc Peligry, Chief Financial Officer

It's including -- the 13 include all the operations in the New Mobility, Ubeeqo and all the operations.

David Cerdan, Analyst

Okay, on a pro forma basis.

Luc Peligry, Chief Financial Officer

Yes.

David Cerdan, Analyst

Okay, thank you.

Caroline Parot, Chief Executive Officer

On the synergy cost, David, we do believe that's why someone just before you, Patrick, asked the question probably on the non-recurring cost. We said the envelop we're doing [ph] in the local context to extract the value between 20 million and 30 million. All the perimeter are not -- perimeters are not equally the same. On the Goldcar perimeter, we are doing a reverse, let's say, integration. So we do believe high level of synergy cost to be deployed except the integration itself. So we have a team dedicated to the integration, which is coming in addition, to be able to deliver the synergies. The same is true for Buchbinder. On Buchbinder, because we are operating on German perimeter, the synergy cost, depending on which level we are, will be deployed progressively. But most of the cost that we are going to face, for sure, and we are already facing this year is the integration things because we are doing a brand repositioning on all our leisure brands. We are managing a reshape on the base station service level delivery to position Goldcar, InterRent and Europcar. So it is base station review. And we are also managing a strong integration profile on how to manage the channel distribution. So those cost have been guided during the year by 20 million and 30 million, but the bulk of it is integration profile.

David Cerdan, Analyst

Okay. Thank you.

Caroline Parot, Chief Executive Officer

So the team is telling me that we have no more question on the call. So I want to thank you to attend this call. What is important are the management team for this Company. With our strong confidence in the Group repositioning we are managing, we have done a strong acquisition profile in 2017. Now it's time to deliver. We are confirming our synergies ambition. We are confirming even more under the synergies. But it cannot be executed in two months (inaudible). So the focus is to be sure that we are all doing the right measure to size the market growth and the right pricing in the market. The late acquisition in the process made us cautious in the way we want to extract those synergies, but it doesn't change at all our vision for the full perimeter for next year 2018, but more importantly, 2019 and 2020, and we are well-positioned to do that. So thank you for that, and I'm sure we'll have occasion to meet some of you in the next days.

Operator

And that concludes today's conference. We thank you for your participation. You may now disconnect.