Report H1 2023

Period from January 1 to June 30, 2023

Europcar Mobility Group

HALF-YEAR REPORT

1. KEY DATA FOR THE FIRST HALF OF 2023

- Revenue: up 0.9%, to reach €1,412.1 million, +1.6% at constant exchange rates.
- Adjusted Corporate EBITDA: €152.5 million in H1 2023 vs €232.9 million in H1 2022.
- Group net profit(loss): € (30.0) million.
- Corporate free cash flow (excl. IFRS 16): €29.3 million.
- Group corporate net debt (excl. IFRS 16): € (10.0) million as of June 30, 2023.

In millions of euros, unless stated otherwise	2023	2022	% Change	% Change (at constant exchange rates)
Rental day volume (in millions)	33.4	33.4	+0.2%	+0.2%
Average fleet (in thousands)	250.9	246.9	+1.6%	+1.6%
Fleet utilization rate (%)	73.6%	74.7%	*(1.1)pt*	*(1.1)pt*
Revenues	1,412.1	1,400.1	+0.9%	+1.6%
Adjusted corporate EBITDA	152.5	232.9	*(34.5)%*	*(34.1)%*
Adjusted corporate EBITDA margin	10.8%	16.6%	*(5.8)pt*	*(5.9)pt*
Operating income	95.8	165.9		
Net Profit/(Loss)	(30.0)	80.6		
Corporate Free Cash Flow, Excl. IFRS 16	29.3	206.4		
Net corporate debt - end of period, Excl. IFRS 16	(10.0)	137.0		

2. HIGHLIGHTS OF THE FIRST HALF OF 2023

A revenue growth of 0.9%, driven by continued growth in B2B segments, partially offset by lower pricing in some leisure markets. An inflationary impact on cost as well as a change in the fleet mix resulted in an increase in cost. This cost increase has not been passed onto the consumer, as last year price levels were higher than normal due to fleet supply constraints.

3. ANALYSIS OF OPERATING INCOME

Except where explicitly otherwise indicated, the figures from fiscal half-years 2023 and 2022 are in the notes and tables after application of IFRS 16.

3.1. Key indicators

In millions of euros, unless stated otherwise	H1 2023	H1 2022	Half-year ended June 30 Change
Revenues	**1,412.1**	**1,400.1**	**0.9%**
Vehicle rental revenue	**1,352.6**	**1,342.8**	**0.7%**
Rental day volume (thousands)	33.4	33.4	0.2%
Average rental duration (in days)	7.5	7.9	(4.2)%
Average fleet size (thousands) (1)	250.9	246.9	1.6%
Average revenue per unit per month (in €) (2)	898.5	906.6	(0.9)%
Average fleet costs per unit per month (in €) (3)	(289)	(262)	+10.3%
Fleet utilization rate (in %) (4)	73.6%	74.7%	(1.1) pt
Margin after Direct Costs	**522.0**	**569.1**	**(8.3)%**
Margin after direct costs as % of revenue	37.0%	40.6%	(3.7) pt

(1) Average fleet during the period is calculated as the number of days in the period during which the fleet was available (period during which the Group held the vehicles), divided by the number of days of the same period, multiplied by the number of vehicles in the fleet during the period.

(2) Average revenue per unit per month corresponds to the vehicle rental revenue, divided by the average fleet for the period; the average fleet for the period itself is divided by the number of months for the period.

(3) Average fleet costs per unit per month corresponds to total fleet cost (fleet holding and operating costs), excluding interest expense included in the expenses for the fleet vehicle operating leases and insurance costs, divided by the average fleet during the period. The average fleet during the period is then divided by the number of months during the period.

(4) The fleet utilization rate corresponds to the rental day volume as a percentage of the number of days the fleet is considered financially available. The fleet's financial-availability period represents the period during which the Group holds the vehicles.

3.2. Comparison of Operating Results

Analysis in this section is based on the Group's income statement, prepared in accordance with IFRS. Management data are prepared in order to reflect and clarify the presentation of Group economic performance.

IFRS Income Statement

In M€	As of June 30, 2023 (After IFRS 16)	As of June 30, 2022 (After IFRS 16)
Revenue	**1 412,1**	**1 400,1**
Fleet holding costs	(374,9)	(314,2)
Fleet operating, rental and revenue related costs	(457,1)	(452,3)
Personnel costs	(251,7)	(235,4)
Network and head office overhead costs	(126,1)	(112,0)
Non-fleet depreciation, amortization and impairment expense	(81,5)	(82,6)
Other income	0,0	3,0
Current operating income	**120,9**	**206,7**
Impairment of non-current asset	-	-
Other non-recurring income and expense	(25,1)	(40,7)
Operating income	**95,8**	**165,9**
Net financing costs	**(104,0)**	**(78,1)**
Profit/(loss) before tax	**(8,2)**	**87,8**
Income tax benefit/(expense)	(21,9)	(7,3)
Net profit/(loss) for the period	**(30,0)**	**80,6**

The table below presents a reconciliation of current operating income to adjusted corporate EBITDA and adjusted consolidated EBITDA. Adjusted consolidated EBITDA and adjusted corporate EBITDA are presented because the Group believes that these measures provide readers with important additional information for an evaluation of Group performance.

The Group believes that rating agencies will consider that adjusted consolidated EBITDA and adjusted corporate EBITDA are useful indicators for measuring the Group's capacity to meet its debt-service obligations. IFRS does not recognize adjusted consolidated EBITDA or adjusted corporate EBITDA. Therefore, these indicators should not be viewed as alternatives to operating income or net profit, nor should they be considered indicators of operating results or of cash flows as measures of liquidity.

In millions of euros	Half-year ended June 30	
	2023	**2022**
Adjusted consolidated EBITDA	**515.5**	**549.3**
Net Fleet depreciation and total fleet financing costs (1)	(363.0)	(316.3)
Adjusted corporate EBITDA	**152.5**	**232.9**
Non fleet amortization, depreciation and impairment expense	(81.5)	(82.6)
Reversal of net fleet financing expenses (2)	49.8	56.4
Current operating income (2)	**120.9**	**206.7**

(1) Notably including expenses related to operating leases for fleet vehicles comprise depreciation, interest and, in some cases, a small management fee. For contracts that do not provide a breakdown of rent payments in accordance with these expenses, the Group makes estimates on the basis of data provided by the lessors. Furthermore, because interest expense for operating leases is essentially a fleet financing cost, Europcar management reviews fleet holding costs and Group adjusted operating income net of this expense.

(2) As set forth in the IFRS consolidated income statement.

3.2.1 Revenue

In the first half of 2023, revenue totaled €1,412.1 million, up by 0.9% compared with 2022 and with a 98% recovery compared with 2019. On a constant currency basis, total revenue increased by 1.6%. The Leisure segment benefited more from volumes while the Professional Segment benefited more from price increases.

3.2.2 Cost lines

Fleet holding costs

Fleet holding costs include fleet depreciation expenses (vehicles acquired and financed through funding recorded on the statement of financial position) and payments on operating leases for vehicles including their financial component, in compliance with accounting standards (e.g., vehicles financed through leasing). Rental payments under operating leases include a component of financial interest.

In the first half of 2023, these costs totaled €374.9 million as compared to €314.2 million in the first half of 2022, mainly due to mix impact and inflation effects on the total cost of ownership of the vehicles, partly offset by gains on sales of vehicles in the context of a strong second hand market. The average fleet of vehicles of 250.9k units still remained about 23% below the average fleet for the first half of 2019 on a like for like basis.

Fleet operating, rental and revenue-related costs

In the first half of 2023, these costs totaled €457.1 million as compared to €452.3 million in the first half of 2022, as a result of inflation on costs of services from external providers and on Airport and railway fixed fees.

Personnel costs

In the first half of 2023, personnel costs totaled €251.7 million compared to €235.4 million in the first half of 2022. This increase is linked to the salary increase and personnel increase.

Network and head offices overheads costs

In the first half of 2023, network and headquarters overhead costs totaled €126.2 million compared to €112.0 million in the first half of 2022, mostly due to IT costs increasing which is in line with the Group strategy. Moreover, network overheads costs slightly increased because of the inflation and the Group implementation and performance strategy.

3.2.3 Adjusted Corporate EBITDA

In the first half of 2023, Adjusted Corporate EBITDA totaled 152.5 million, compared to €232.9 million in the first half of 2022, mainly due to costs increasing caused by inflation and the Group strategy initiatives implementation. The corporate EBITDA margin in percentage of revenue reached 10.8%, compared to 16.6% in the first half of 2022, and the pre-Covid-19 level is 1.7% in 2019 (as adjusted to reflect the acquisition of Fox).

3.2.4 Other non-recurring income and expenses

Non-recurring expenses represent an expense of €25.1 million for the first half of 2023, principally reflecting the rationalization initiatives in the headquarters and the network, including external support.

3.2.5 Net financing costs

Net fleet and non-fleet financing costs amounted to a net expense of 104.0 million in the first half of 2023 compared to an expense of €78.1 million in the first half of 2022. Firstly, the variance is due to the early settlement in 2023 of a hedging instrument. Secondly, the variance is due to the fair value measurement in 2022 of derivative instruments whose characteristics were not considered as hedge accounting.

3.2.6 Income tax

On June 30th, 2023, Income tax expense amounted to €21.9 million. The effective tax rate for the first half of 2023 is not representative due to the low earnings for the period and the country mix (positive and negative contributions at different tax rates).

3.2.7 Net profit/(loss)

Net profit/(loss) in the first half of 2023 amounted to a loss of €30.0 million, compared to a profit of €80.6 million for the first half of 2022.

4. LIQUIDITY AND FINANCIAL POSITION

4.1. Total net debt

As of June 30, 2023, Group corporate net debt excluding IFRS 16 amounted to (€10) million, compared with €137 million as of June 30, 2022 and (€8) million as of December 31, 2022. The Group recorded corporate cash (excluding undrawn corporate facilities) of €267 million as of June 30, 2023 versus €288 million as of December 31, 2022.

As of the same date, total net fleet debt, excluding fleet-related lease payments, totaled €3,075 million as of June 30, 2023, compared with €2,759 million as of December 31, 2022.

IFRS 16 lease liabilities totaled €620 million (of which €350 million is fleet related) as of June 30, 2023, compared to €482 million (of which €194 million is fleet related) as of December 31, 2022.

The table below presents net corporate debt and total net debt (excluding IFRS 16 lease liabilities):

(in millions of €)	**As of June 30, 2023 (unaudited)**
State guaranteed loans[A]	215
Senior RCF and term loan	610
FCT Junior Notes[B], accrued interest, capitalized costs of financing agreements and other costs[C],[D]	(568)
Corporate Gross Debt recognized on balance sheet	**257**
Cash held by operating and holding entities and short-term investments[E]	(267)
Corporate Net Debt recognized on balance-sheet	**(10)**
EC Finance Notes[F]	500
Senior Asset Revolving Facility	1,424
FCT Junior Notes accrued interest, capitalized costs of financing agreements and other	574
Fleet financing in the UK, Australia and other fleet financing facilities	714
Gross Fleet Financial Debt recognized on the balance sheet	**3,213**
Cash held by fleet-owning entities and short-term fleet investments	(138)
Fleet Net Debt recognized on the balance sheet	**3,075**
Total Group Net debt recognized on the balance sheet[G]	**3,066**

(A) *For the purpose of consolidating the Group's liquidity to allow it to address its vehicle financing needs and its corporate needs related to the impacts of the Covid-19 pandemic, on May 2, 2020, the Group negotiated a €220 million loan, 90% guaranteed by the French government. This loan had an initial maturity of one year which was extended to five years on April 23, 2021, and will be used to meet the Group's general requirements. During the second quarter of 2020, the Group also negotiated state guaranteed loans from the Spanish government (70% guarantee) amounting to €101 million. These loans, with a three-year maturity that was extended by three years to 2026 in March 2021, are intended to finance the working capital requirements of the borrower and/or finance the vehicle fleet in Spain.*

(B) *On 2022, the 30th of November, the group refinanced its corporate debt (including the line related to finance the equity's part of the fleet: VFFA €225m), Term-loan B and Revolving Credit Facility ("RCF") for respectively €500m and €170m. Those financing arrangements were replaced by a €500m VW Bank Term-loan and a new RCF of €250 million. On 2023, the 24th of March, the group obtained an additional €30m in the new RCF, bringing the line to €280m. As of 2023, the 30th of June,€110m was drawn under the new RCF.*

(C) Revenue from the FCT Junior Notes subscribed by ECI provides overall credit enhancement and, as applicable, the remuneration of the FCT accounts (in the event of a negative interest rate being applicable to these accounts), as well as additional liquidity requirement. FCT Junior Notes are used only to finance the fleet debt requirement. FCT Junior Notes are subscribed by ECI using available cash or drawings under the RCF.

(D) For countries where fleet costs are not financed through dedicated entities (e.g. Securitifleet entities), the cash used to finance the fleet (which could have been financed by fleet debt) is restated from the net corporate debt to impact the fleet net debt.

(E) Including accrued interest not due for financial assets (Euroguard).

(F) Short-term investments include bond investments made by the Group's two captive insurers and considered to be liquid due to their maturities.

(G) On October 7, 2021, EC Finance Plc issued the EC Finance Notes (green bond) for a total amount of €500 million due 2026.

4.2. Analysis of corporate free cash flow

4.2.1. Overview

The Group uses corporate free cash flow as its liquidity indicator. The Group believes that corporate free cash flow is a useful indicator because it measures the Group's liquidity on the basis of its operating activities, including net financing costs on borrowings dedicated to fleet financing, without taking into account (i) past disbursements for debt refinancing, (ii) exceptional costs that are not representative of trends in Group operating results, and (iii) cash flows related to the fleet. These cash flows are analyzed separately because the Group makes vehicle acquisitions through asset-backed financing.

The table below shows the calculation of corporate free cash flows, as well as the regrouping of certain items deemed significant for the analysis of Group cash flow, including cash flow related to changes in the rental fleet, in fleet-related trade receivables and payables, and in fleet-related financing and other working capital facilities used principally for fleet-related needs. This presentation differs from the IFRS statement of cash flows, mainly because of analytic regrouping and the inclusion of items that do not affect cash flows that vary based on the financial data used as the starting point (in this case, adjusted Corporate EBITDA, as presented below, compared with pre-tax profit in the IFRS statement of cash flows).

	For the six months ended June 30, (unaudited)	
Management Cash Flows (in millions of €)	**2023**	**2022**
Adjusted Corporate EBITDA	**153**	**233**
Other non-recurring income and expenses	(25)	(20)
Acquisitions of intangible assets and property, plant and equipment (net of proceeds from disposals)	(42)	(30)
Changes in working capital requirements and provisions	36	94
Income taxes received (paid)	(38)	(9)
Change in lease liabilities under IFRS 16	(54)	(54)
Corporate operating free cash flow	**29**	**213**
Interest paid on corporate financing	(20)	(15)
Cash flow after payment of interest on corporate financing	**10**	**197**
Other investments	7	(33)
Changes in rental fleet, working capital requirement, and in fleet financing and working capital facilities	(57)	(98)
Capital increase and buy back of treasury shares	-	-
Payment of transaction costs and other	3	(60)
Increase/(decrease) in cash and cash equivalents before effect of foreign exchange conversions	**(37)**	**7**
Cash and cash equivalents at beginning of period	396	426
Changes in scope of consolidation	-	-
Effect of foreign exchange conversions	(1)	1
Cash and cash equivalents at end of period	**357**	**434**

4.2.2. Corporate free cash flow

• Adjusted Corporate EBITDA. Adjusted corporate EBITDA amounted to an income of €153 million in the first half of 2023, compared to an income of €233 million in the first half of 2022.

• Other non-recurring income and expenses. Other non-recurring income and expenses corresponded to an expense of €25 million in the first half of 2023, compared to an expense of €20 million in the first half of 2022.

• Acquisition of intangible assets and property, plant and equipment (net of proceeds from disposals). Acquisition of intangible assets and property, plant and equipment totaled €42 million in the first half of 2023 compared to €30 million in the first half of 2022, relating mainly to the continuing digital transformation of the Group.

• Changes in working capital requirements and provisions. Changes in working capital requirements excluding rental fleet and provisions amounted to €36 million in 2023, compared to €94 million in the first half of 2022, reflecting mainly the good monitoring of non-fleet working capital over the period.

• *Income taxes received (paid).* Income tax outflows in the first half of 2023 amounted to €38 million, compared to a €9 million outflow in the first half of 2022.

4.2.3. Other components of cash flow

• Payment of corporate interest totaled €20 million in the first half of 2023 compared with €15 million in 2022. Following the renegotiation of the debt carried out during the second half of 2022 consisting of €500 million 5-year Term Loan maturing in November 2027 and a new € 280 million RCF maturing in August 2027.

• Changes in rental fleet, working capital requirement, and in fleet financing and working capital facilities totaled €(57) million in the first half of 2023 compared to €(98) million in H1 2022. It is related primarily to the acquisition and disposal of the fleet and the draws on the Senior Credit Facilities and main local lines of credit to finance rental fleet financing needs.

• In 2023, other investments mainly related to change in the marketable securities of the insurance captives. In 2022, other investments mainly related to the payment of Fox earn-out, change in marketable securities of the insurance.

• Payment of transaction costs & other included:

- Others include mainly non-utilization fees, bank charges and impact of foreign exchange rate.
- The impact of the terminated early €350 million interest rate swap.

5. LEGAL DISCLAIMER & FORWARD-LOOKING STATEMENT

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