

# Press release

Paris, 3 August 2020

## HALF-YEARLY FINANCIAL INFORMATION ALD reports first half 2020 results

- **SOUND OPERATING PERFORMANCE ILLUSTRATING THE RESILIENCE OF THE BUSINESS MODEL AND THE AGILITY OF THE ORGANISATION**
- **FUNDED FLEET UP 3.1% VS. END JUNE 2019, OPERATING MARGINS<sup>1</sup> UP 3.1%**
- **SOLID PROVISIONING AND EXCESS DEPRECIATION CHARGES TOTALLING EUR 62 MILLION**
- **USED CAR SALES RESULT PER UNIT AT EUR -92 ON AVERAGE IN H1**
- **EUR 3.4 MILLION DECREASE IN OVERHEADS DEMONSTRATING ABILITY TO CONTROL COSTS**
- **NET INCOME (GROUP SHARE) AT EUR 206.8 MILLION**

### H1 2020 Results highlights

- ✓ **Total Fleet** 1.76 million vehicles managed worldwide at end June 2020, +3.8% vs. June 2019
- ✓ **Leasing Contract and Services Margins** down EUR 22.0 million, incorporating the impact of the fleet revaluation process: EUR 30.0 million excess depreciation charge in H1 2020 vs. EUR 11.3 million release in H1 2019
- ✓ **Used Car Sales result** at EUR -11.6 million, including impairment of used car stock of EUR 18.6m
- ✓ **Cost of Risk** at 46 bps<sup>2</sup>, including a forward-looking provision under IFRS9
- ✓ EUR 10.0 million after tax **profit on disposal** of stake in ALD Fortune (China) in Q1 2020
- ✓ **Total Equity/Asset** ratio at 15.6%, up from 15.2% at end June 2019

<sup>1</sup> Leasing contract and Services margins excluding Excess depreciation

<sup>2</sup> Annualised Cost of Risk as a % of Average Earning Assets

## New Guidance for 2020<sup>3</sup>

- ✓ Total Fleet growth (organic) close to 0% versus 2019, plus bolt-on acquisitions as opportunities arise
- ✓ Used Car Sales result per vehicle to average EUR -250 to EUR 0
- ✓ Cost/Income (excluding Used Car Sales result) ratio between 50% and 51%

On 3 August 2020, Tim Albertsen, ALD CEO, commenting on the H1 2020 Group Results, stated:

*“H1 2020 was a live stress test for many companies. In the context of the Covid-19 crisis ALD has demonstrated the strength and resilience of its business model, as well as the agility of the organization. This crisis saw the rise of new types of demands which ALD was able to answer quickly and efficiently. Flexible offers were deployed in over 19 countries and used car lease actively promoted. Despite the challenges, ALD has continued to work very actively, with both clients and partners who recognise the Company as a stakeholder they can rely on. Our operating and financial performance in H1 was sound despite inclusion of several provisions reflecting potential upcoming risks. As a pick-up is observed in main markets, ALD stays alert to opportunities while paying careful attention to costs. ALD intends to continue to lead the market. We feel we have sufficient visibility to issue new operating guidance for 2020, premised on the assumption that major European countries will not be forced to return to a full lockdown for an extended period. We are also announcing a Capital Markets Day to be held on November 12th during which we will present our business strategy for the years to come.”*

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<sup>3</sup> Premised on the assumption that major European countries will not be forced to return to a full lockdown for an extended period

## Resilient and agile business model

Operating margins, defined as Leasing contract and Services margins excluding excess depreciation, proved their resilience in H1 2020, growing 3.1% year on year, in line with funded fleet growth, at +3.1% vs. H1 2019.

Total Fleet growth was penalised by severe lockdown measures taken in Western Europe.

However, customer and partner relationships were enhanced by the crisis, through proximity and attentiveness and a close monitoring of difficult situations. Activity has picked up progressively after lockdown measures were softened and pre-crisis levels have already been reached in some geographies.

Despite lower delivery volumes during the lockdowns, the penetration of “green”<sup>4</sup> powertrains continues to rise: they represented 19% of ALD’s passenger car deliveries globally in Q2 2020 (vs. 12% in Q2 2019) and close to 21% in Europe<sup>5</sup>, already in line with the target of more than 20% “green” vehicles deliveries in Europe<sup>5</sup> by the end of 2020 announced at the start of the year.

ALD is ready to meet this shift in demand thanks to its continued work with reference players, from car manufacturers such as Tesla or Polestar, to providers of charging infrastructure and support such as Chargepoint, E.On and Enel. These partnerships are part of a comprehensive programme to promote Electric Vehicles, which includes EV-dedicated products such as Switch and Carsharing.

## Solid operating and financial performance

Total Fleet reached 1.76 million vehicles at the end of June 2020, up 3.8% vs. end of June 2019. Organic fleet growth (neutralising the impact of the acquisition of Stern Lease in the Netherlands and the disposal of ALD Fortune Auto Leasing & Renting in China) over the same period stood at 3.1%.

Leasing Contract Margin reached EUR 295.5 million and Services Margin EUR 320.4 million in H1 2020, down 10.5% and up 4.2% respectively vs. H1 2019. Taken together they decreased by EUR 22.0 million vs. H1 2019. In Q2 2020, the Leasing Contract Margin included a EUR 30.0 million excess depreciation charge, resulting from the fleet revaluation process, which embeds stressed sales prices expected to last into 2021.

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<sup>4</sup> “Green” vehicles: Electric vehicles, Plug-in hybrids, Hybrids

<sup>5</sup> European Economic Area, UK and Switzerland

The contribution to Gross Operating Income from Used Car Sales result reached EUR -11.6 million in H1 2020, down significantly from EUR 43.4 million in H1 2019. The drop was due in part to a specific EUR 18.6 million impairment of used car stock, which was recorded in H1 results, reflecting delays in sales and potential reduction in the prices of second-hand cars.

Average sales margin on used vehicles<sup>6</sup> for the half-year came in at EUR -92 per unit, and EUR 55 when restated from the exceptional impairment charge on used car stock recorded over the period. The Q2 20 average was EUR -234 per unit, and EUR -105 excluding the exceptional impairment charge.

The number of used cars sold<sup>6</sup> in H1 2020 was 126K, down from 144K in H1 2019, reflecting the effect of lockdown measures in March and April. Although remarketing activity has shown a promising rebound since mid-May, stock levels remain above pre-crisis level. ALD continues to promote contract duration extensions to targeted customers with the aim of lowering the number of vehicles to be sold. ALD's digital remarketing platform is a key asset in the efficient management of used car sales, as activity progressively picks up again.

Operating Expenses decreased by EUR 3.4 million in H1 2020, reaching EUR 313.4 million, demonstrating ALD's strong ability to control costs in difficult times. This decrease reached EUR 8 million in Q2 2020 when compared to Q2 2019, a significant achievement in a context of 3.8% fleet growth.

Impairment charges on receivables reached EUR 47.6 million, rising by EUR 25.8 million from the EUR 21.8 million recorded in H1 2019. This increase was principally due to a EUR 13.4m forward looking provision recorded in H1 2020 results reflecting the expected increase in probability of customer default. The cost of risk<sup>7</sup> reached 46 bps in H1 2020, and 32 bps when excluding the forward-looking component.

Further to the closing of the transaction on 28 February 2020, a EUR 10.0 million post-tax profit on disposal of ALD's stake in ALD Fortune Auto Leasing & Renting (China) was recorded in Q1 2020.

As a result, ALD Net Income (Group Share) reached EUR 206.8 million in H1 2020, down from EUR 280.7 million in H1 2019. This decrease mainly results from solid provisioning and excess depreciation charges totalling EUR 62 million (before tax).

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<sup>6</sup> Management information

<sup>7</sup> Cost of risk: Annualised ratio, using the Impairment Charges on Receivables divided by the arithmetic average of Earning Assets at the beginning and end of the period.

Earning Assets decreased by 3.3% at the end of June 2020 vs. the end of the previous year, reaching EUR 20.5 billion, reflecting a slight decrease in funded fleet due to the effect of contract extensions and foreign exchange translation impacts.

Equity reinvestments in long-term deposits decreased by EUR 39 million, as amortising deposits with Societe Generale continued to run off. Other assets remained stable.

Total funding at the end of June 2020 stood at EUR 17.9 billion (down slightly from EUR 18.4 billion at the end of 2019) of which 70% consisted of loans from Societe Generale. Over the course of H1 2020, EUR 400m of bonds matured and were not refinanced in the context of limited funding needs in 2020 due to contract extensions and limited funded fleet growth.

The Group's Total Equity to Total Assets ratio stood at 15.6% at the end of June 2020, up from 15.2% a year earlier, and down slightly from 15.7% at end 2019 following the payment of 2019 dividend in Q2 2020 (EUR 254 million).

## Key strategic initiatives

### Launch of flexible offers

On 24 June, ALD announced the launch of ALD Flex, a flexible mobility solution with the advantages of fully serviced vehicles and on demand availability in 19 countries.

ALD Flex provides an all-inclusive vehicle offering for mid-term usage, ranging from 1 to 24 months, at an optimal monthly rate. A broad range of vehicle categories is available for immediate use. Additional flexibility allows contracts to be terminated after 1 month at no extra cost.

ALD Flex will be available in 30 countries worldwide by mid-2021.

In addition, ALD proposes ALD Swap in Norway. This premium subscription product offers a flexible car selection and the option to swap cars at any time.

### ALD Carmarket new global brand identity

On 16 June, ALD launched a new phase in the expansion of its unified brand identity: the rebranding of the entire remarketing offering under the company's new global brand identity ALD Carmarket, now used for both retail and corporate segments. Intensifying the launch of direct "clicks & bricks" used car purchase or lease offering for consumers and leveraging the largest used car offering in the industry, ALD Carmarket provides high quality, expertly serviced and appraised used cars that are sourced through the countries where ALD has a direct presence.

### Extra financial ratings: Ranked Platinum by Ecovadis in Poland and Luxembourg

Early 2020, EcoVadis has reviewed its rating grid. Criteria for bronze and silver medals were strengthened and a new "Platinum" rating was created to reward high-performance companies.

Within the top 1% of companies on the global EcoVadis platform and with an overall score greater or equal to 73/100, Poland and Luxembourg are the first ALD entities to have been rated “Platinum”.

### **Launch of a new Fleet Management business with Ford in Europe**

On 16 July, Ford and ALD signed a shareholder agreement to create Ford Fleet Management, an integrated leasing and fleet management solution for European customers.

Ford Fleet Management will leverage both parties’ deep understanding of customers, product and mobility services, as well as an extensive dealer network, to deliver the ambition of best-in-class vehicle uptime.

Ford Fleet Management will begin operating in the UK by the autumn, subject to approval by the relevant authorities.

This initiative deepens a long-standing relationship in which ALD Automotive has been providing Ford lease services for more than 15 years in Europe.

### **South East Asian strategy**

In H1 2020, ALD started to implement its South East Asian strategy through the creation of a joint venture with Mitsubishi UFJ Lease and Finance Company Limited (MUL) to operate in Malaysia. In addition, ALD signed partnership agreements with Mitsubishi Auto Leasing Corporation (MAL) to extend global coverage in Japan, and with Shouqi Car Rental & Leasing to provide full service leasing solutions in China.

## **Conference call for investors and analysts**

Date: 3 August 2020, at 10.00 am Paris time - 9.00 am London time

Speakers: Tim Albertsen, CEO and Gilles Momper, CFO

Connection details:

- [Webcast](#)
- Conf call:
  - France: +33 (0) 1 7099 4740
  - UK (Standard International Access): +44 (0) 20 3003 2666
  - Password: ALD

## **2020 Agenda**

**5 November 2020** Trading update and Q3 results

**12 November 2020** Capital Markets Day

**10 February 2021** Q4 and FY 2020 results

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## About

### **ALD**

ALD is a global leader in mobility solutions providing full service leasing and fleet management services across 43 countries to a client base of large corporates, SMEs, professionals and private individuals. A leader in its industry, ALD places sustainable mobility at the heart of its strategy, delivering innovative mobility solutions and technology-enabled services to its clients, helping them focus on their everyday business.

With 6 700 employees around the globe, ALD manages 1.76 million vehicles (at end-June 2020).

ALD is listed on Compartment A of Euronext Paris (ISIN: FR0013258662; Ticker: ALD) and is included in the SBF120 index. Société Générale is ALD's majority shareholder.

This document contains forward-looking statements relating to the targets and strategies of ALD SA (the "Company") and its subsidiaries (together with the Company, the "Group"). These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union. These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to: - anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences; - evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation. Therefore, although the Company believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in the Group's markets in particular, regulatory changes, and the success of the Company's strategic, operating and financial initiatives. More detailed information on the potential risks that could affect the Company's financial results can be found in the Registration Document and in the Last Financial Report filed with the French Autorité des Marchés Financiers. Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, the Company does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal. The financial information presented for the half-year ending 30 June 2020 was reviewed by the Company's Board of Directors on 31 July 2020 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date.

## Appendix

### Consolidated income statement

in EUR million	Q2 2020	Q2 2019	Var % Q2 '20/ '19	HY 2020	HY 2019	Var % HY '20/ '19
Leasing Contract Revenues				2,280.9	2,205.9	+3.4%
Leasing Contract Costs - Depreciation				(1,835.8)	(1,744.1)	+5.3%
Leasing Contract Costs - Financing				(150.9)	(136.4)	+10.6%
Unrealised Gains/Losses on Financial Instruments				1.3	4.9	(72.7%)
<b>Leasing Contract Margin</b>	<b>130.5</b>	<b>165.1</b>	<b>-21.0%</b>	<b>295.5</b>	<b>330.3</b>	<b>(10.5%)</b>
Services Revenues				1,062.3	1,051.1	+1.1%
Cost of Services Revenues				(741.9)	(743.5)	(0.2%)
<b>Services Margin</b>	<b>162.4</b>	<b>159.5</b>	<b>1.8%</b>	<b>320.4</b>	<b>307.6</b>	<b>+4.2%</b>
<b>Leasing Contract and Services Margins</b>	<b>292.9</b>	<b>324.6</b>	<b>-9.8%</b>	<b>615.9</b>	<b>638.0</b>	<b>(3.4%)</b>
Proceeds of Cars Sold				1,355.5	1,491.3	(9.1%)
Cost of Cars Sold				(1,367.1)	(1,447.9)	(5.6%)
<b>Used Car Sales result</b>	<b>(14.9)</b>	<b>24.4</b>	<b>ns</b>	<b>(11.6)</b>	<b>43.4</b>	<b>ns</b>
<b>GROSS OPERATING INCOME</b>	<b>278.0</b>	<b>349.0</b>	<b>-20.3%</b>	<b>604.3</b>	<b>681.4</b>	<b>(11.3%)</b>
Staff Expenses				(203.3)	(202.4)	+0.4%
General and Administrative Expenses				(82.0)	(88.2)	(7.0%)
Depreciation and Amortisation				(28.1)	(26.2)	+7.3%
<b>Total Operating Expenses</b>	<b>(151.3)</b>	<b>(159.3)</b>	<b>-5.0%</b>	<b>(313.4)</b>	<b>(316.8)</b>	<b>(1.1%)</b>
<i>Cost/Income ratio (excl UCS result)</i>	<i>51.7%</i>	<i>49.1%</i>		<i>50.9%</i>	<i>49.7%</i>	
Impairment Charges on Receivables	(29.8)	(11.4)	161.7%	(47.6)	(21.8)	+118.6%
<b>OPERATING RESULT</b>	<b>96.9</b>	<b>178.3</b>	<b>-45.6%</b>	<b>243.3</b>	<b>342.8</b>	<b>(29.0%)</b>
Share of Profit of Associates and Jointly Controlled Entities	0.3	0.5	-32.7%	0.7	0.9	(19.3%)
<b>Profit Before Tax</b>	<b>97.2</b>	<b>178.8</b>	<b>-45.6%</b>	<b>244.0</b>	<b>343.7</b>	<b>(29.0%)</b>
Income Tax Expense	(17.9)	(30.7)	-41.6%	(44.6)	(59.7)	(25.4%)
Result from discontinued operations	(0.0)	0.0		10.0	0.0	
<b>Profit for the Period</b>	<b>79.3</b>	<b>148.1</b>	<b>-46.4%</b>	<b>209.5</b>	<b>283.9</b>	<b>(26.2%)</b>
<b>Net Income (Group share)</b>	<b>78.0</b>	<b>146.9</b>	<b>-46.9%</b>	<b>206.8</b>	<b>280.7</b>	<b>(26.3%)</b>
Non-Controlling Interests	1.3	1.2	7.8%	2.6	3.3	-20%
<i>Return on Average Equity<sup>2</sup></i>				<i>10.5%</i>	<i>15.3%</i>	



**Total fleet and selected balance sheet figures**

in EUR million, except stated otherwise	30.06.2020	31.12.2019	Change in % HY '20/FY '19	30.06.2019	Change in % HY '20/HY '19
<b>Total Fleet (in '000 of vehicles)</b>	<b>1,765.0</b>	<b>1,765</b>	<b>+0.0%</b>	<b>1,700</b>	<b>+3.8%</b>
<b>Total Assets</b>	<b>25,018</b>	<b>25,588</b>	<b>(2.2%)</b>	<b>24,537</b>	<b>+2.0%</b>
<b>Earning Assets</b>	<b>20,480</b>	<b>21,183</b>	<b>(3.3%)</b>	<b>19,930</b>	<b>+2.8%</b>
<b>Total Equity</b>	<b>3,912</b>	<b>4,029</b>	<b>(2.9%)</b>	<b>3,727</b>	<b>+4.9%</b>
<b>Financial Debt<sup>3</sup></b>	<b>17,905</b>	<b>18,395</b>	<b>(2.7%)</b>	<b>17,762</b>	<b>+0.8%</b>
<i>Total Equity on Total Assets</i>	<i>15.6%</i>	<i>15.7%</i>		<i>15.2%</i>	

<sup>1</sup> ALD's Q2 20, and H1 20 results have been subject to a limited review by ALD's Statutory Auditors

<sup>2</sup> Annualised ratio: in the numerator quarterly figure multiplied by 4 or half-year figure multiplied by 2 or annual figure. In the denominator the arithmetic average of Equity attributable to owners of the parent at the beginning and end of the period

<sup>3</sup> Financial Debt: defined as Borrowings from Financial institutions, Bonds and Notes issued