Company: **Europcar Groupe**

Conference Title: **Europcar Groupe Third Quarter 2016 Results**

Moderator:

Date: **Wednesday 9th November 2016**

Operator: Welcome to the conference call on Europcar Groupe's Results for the Third Quarter of 2016. This conference is also available by webcast on the Europcar Groupe finance site. I would like now to turn the call over to our host, Aurelia Cheval, Head of Investor Relations. Please go ahead.

Aurelia Cheval: Thank you. Good morning or good afternoon, everyone. Thank you for joining us on this presentation. Today we have with us Philippe Germond, Chairman of the Management Board, and Caroline Parot, Deputy CEO. At the end of this presentation, we will have, of course, the usual Q&A session. Now is the presentation. Philippe?

Philippe Germond: Thank you very much, Aurelia. So Caroline and I are very pleased to share with you our strong Q3 results. And maybe I would like to start, for those who did not attend our CMD[?] on the 4th of October, I would like to reiterate the key strengths and the resilience of our business model, and I would wish also to emphasise again the group's key assets, which significantly differentiate us from our peers. There are four key points. First, our dense network, both on airports and non-airports in the cities and suburbs. The second one is our balanced customer base, and this is on slide number four, with a mix of leisure customers and B2B customers. The third one is a major point – it is our flexible and de-risked fleet, thanks to the buyback programme and the associated asset-backed financing. And the fourth one is obviously the power of our brands – Europcar, InterRent, Ecar, Ubeeqo, Brunel.

pgi.com

So let me be very clear. I am absolutely convinced that we have all the levers[?] to deliver our ambitions in a fast-moving environment. We focused on leveraging our business units further. We are attracting new customers through our different BUs, thanks to continuous improvement in quality of service. We accelerate consolidation and diversification through M&A. All that enables us to continue to deliver profitable growth.

If we move to slide number five, as mentioned at our recent Investor Day, the objective of our new organisation is to be more focused by business model and align with our customer expectation to anticipate the industry opportunity. Our customers are our most valuable asset, and as a result, improving our customer perception is our top priority. Hence we will continue to work on improving our Net Promoter Scores now that we have the right tools and the right people in place to be able to efficiently exploit the data gathered with our 5.5 million drivers and meet their expectations. In Q3 2016, our Net Promoter Score continued to improve and was up 4.6 points compared to last year Q3.

So here are some of the Q3 KPIs with regard to our five business units. On the Europcar cars, we grew by 3.5 points at current – sorry, at constant currency – during the quarter, benefitting from the steady momentum in our leisure division. Europcar Van and Truck business unit also grew by 1.2% during Q3 and we have currently implemented a dedicated strategy to attract a sizeable potential market in Europe.

InterRent, our local vehicle rental, delivered another impressive quarter of growth with revenues increasing by 67% in line with our market penetration strategy. In the new mobility services, we made the acquisition of Brunel, a London-based ride-hailing business. It is a further step in Europcar's path to become the key mobility provider. As to our international coverage, we are present in more than, as you know, 140 countries, and we will continue to target value-enhancing acquisitions within our franchisees, having made the acquisition of our third-largest French

pgi.com

franchisee, Locaroise, in May. As I mentioned before, the network is a key backbone for our business. While we pursue our cost-efficiency programmes, we are leveraging the granularity of our network and continue to expand InterRent's footprint.

And we have also been continuing to invest into our future growth, in particular, through our focus on digitalisation and the improvement of our customer journey. Digitalisation is a great opportunity for us, and we have our set ourselves four main targets in terms of digitalisation, which we see as an enabler to accelerate our development. The first one is to accelerate online revenue and direct-to-brand growth. We are at 50%[?], we can do more. The second one is to expand the digital experience to improve the conversion rate and value per user, and as an example, extending our offer to EasyJet mobile app.

The third one is to enhance satisfaction through our personalised[?] approach and customer journey as the precedence is already set on the web. And the fourth one is to improve and enrich our platform, offering more combined services as car rental and car sharing. The improvement of our customer journey or customer experience is being implemented through several actions and programs. Just two examples – Customer First, which does include CRM. Another example is the Air Force One[?] programme, which focuses on the top 20 airports in Europe where we significantly improved queuing times down to 12 minutes on average in Q3, which, by the way, as you know, is a peak season. This is value for customers and this is investment for future growth.

So, now, being said that, I will leave the floor to Caroline, and she will detail our strong Q3 results.

Caroline Parot: Thank you, Philippe. Good afternoon, everyone. Please go now to page 8. We are very pleased to report robust affirmance of the Group this quarter, thanks to the strong commitment of all our teams across our countries at every level. The business performance we will go through is strong on the financials, but as well on the Net Promoter Score just reported by Philippe, and those together are strong pillars for mid- to long-term ambitions.

On the financials, Q3 total revenue increased by 5.1% at constant exchange rate driven by strong leisure momentum notably in Southern Europe – Spain, Portugal and Italy. [Inaudible] Q3 adjusted corporate EBITDA at €159 million, plus 4.5% at constant exchange rate, reflecting strong yield management and continuing high level of investment for future growth, notably in InterRent and digital transformation. The last 12 months EBITDA is at €250 million, or plus 1.1% despite €3.1 million of unfavourable sterling currency translation effect. We have also a record year-to-date net profit at nearly 100 million, reflecting our sustained profitable growth and the full benefit of the capital structure following the IPO.

On the balance sheet side, we enjoyed stellar cash generation with corporate free cash flow reaching €166 million year-to-date. And finally, on the acquisition side, we have cashed out more than €25 million since the beginning of this year, and more is to come.

Please turn now to page nine. On our key metrics in the usual format, we can foresee again the strong resilience of our business and relative financials, reflecting strong reactiveness and operational excellence of our countries and teams in facing multiple adverse effects. This is strongly evidenced with the [inaudible] improvement on the back of an out[?] performance of yield management in a very volatile environment. In addition, continuing cost control measures show our strong discipline while enabling our choice to continue to invest in our key [inaudible] initiatives [inaudible]. Cash flow model is, in addition, complementing [inaudible] of the Group, this year being the first normative one following 2015 IPO.

Please go to page 10. On the revenue side, as a reminder, our business development is reflected mostly through the rental revenue level excluding revenue from petrol. The rental revenue increased by 5.3% at constant currency, reaching €665 million, which reconfirms the resilience of our business model and the relevance of the brand positioning strategy. This increase has been mainly driven by the volume, up 6.5%. The performance in volume in Q3 has been driven by the dynamism of the leisure segment on all brands, and particularly in the Southern countries, Spain, Italy and Portugal. All countries are growing in volume but Belgium, nearly flat, which is progressively recovering furthering the late Q1 terrorist attack.

This performance on leisure is in line with our last July expectation, thanks to the strong reactivity of our commercial teams to dynamise all our distribution channels and [inaudible]. On the RPD development, Car segment – business unit Car segment – is up 0.8% at constant currency, reflecting our yield management enhanced process with new pricing capacities, but also agility while facing terrorist attacks in Nice during our peak season. This agility is also visible with improvement in fleet utilisation rate. The reported decrease in RPD at Group level by 1.1% is primarily driven by both low-cost and Van activities.

First on low-cost [inaudible] deployment and growth – the negative RPD evolution versus last year is reflecting our deployment strategy in new countries while we enjoy the good pricing momentum in InterRent's well-established countries. Second, in Vans, our team are concentrating their efforts on the longer duration business to sustain utilisation and profitability enhancements of this new business unit. As a conclusion, solid growth managed by the headwinds[?] on the back of a good momentum for leisure in Europe.

Please turn to page 11. Coming to EBITDA, as a reminder, adjusted corporate EBITDA is, in our view, the relevant indicator to follow our business performance as it includes the interest of the fleets and excludes non-recurring items. Our fleet[?] financing being fully asset-backed, this indicator reflects our true operational performance.

In this quarter, the strongest one in our seasonal business, we report a solid margin after variable cost, reflecting our business unit and channel distribution strategy, but also our resilient fleet management programme. In the meantime, our networks and HQ other[?] cost control programmes, supported our operational efficiency and investment case, while taking into account the French franchisee integration. More specifically on the fleet side, we are reporting a good development of our costs, in particular on the pure deposition[?] level, which is decreasing, while some of our damage costs increased due to lack of focus, particularly in Germany, which we are currently fixing.

As a reminder, more than 90% of our fleet is under our vehicle programme allowing us visibility and resilience in our performance. Utilisation rate improvement by 0.6 points showed our strong operational excellence, but also the relevant choices of our local managements with their revenue and capacity management teams well supported by [inaudible] since the beginning of this year.

Regarding the other operational costs, our direct-to-brand strategy is progressing well, supported by incremental investments on the web on the direct cost of sales, but also in our structured costs at HQ level in both talents and IT supporting tool, notably on mobile. Our cost of sales are also impacted by some increase in airport fees common to the whole industry. Our [inaudible] cost network [inaudible] are increasing at a lower pace than the volume operating level and our fixed costs remain under tight control. This reflects, first, efficiency and productivity gains as part of management focus on the network. Cost savings and efficiency programme continuing to deliver in [inaudible] structure.

All the above being offset[?] by InterRent continuing rollout strategy for incremental costs on the network of about €1.3 million for this quarter, integration of the French franchisee for about 1.3 million in the network and continuing investments in LAB, digitalisation programme and customer journey for about €2 million as well during Q3.

All those elements leads to a recorded EBITDA[?] level for this quarter at €159 million, including the benefits of our fleet financing programme. As you can see, despite numerous headwinds in the beginning of the year, we continued to deliver resilient growth including the lower [inaudible] of the InterRent profile, strong cost monitoring, while not giving up on strategy group investments for more than 9 million since the beginning of the year.

Please turn to page 12. On the year-to-date basis, the net results have reached a record €99 million in line with our expectation, reflecting a normal[?] [inaudible] following the transition year of 2015. This has been successfully achieved thanks to the strong performance in EBITDA and stable DNA[?] evolution. Fast Lane continuing program, with costs for about 9 million, offset by non-recurring positive elements from prior years, notably, business tax, was last year showing negative impact of some proceedings and IPO costs.

Then non-fleet financing expenses significantly decreased since the IPO. This level could be seen as a good proxy of normative level going forward before any acquisitions. Finally, the tax charge for 2016 stands to be close as well to normative level, reflecting our year-end effective tax rates. The Group profit before tax in 2015 was strongly impacted by one-offs coming from the IPO and full reshape of the financing structure. Last, for the [inaudible], report a loss reflecting development costs of both Ubeeqo, our mobility platform start-up, and Car2Go.

Please turn to slide 13. On this slide and the next one, we present our management free cash flow, reflecting our de-risked financial model of fleet management. You'll bear in mind as well that 2015 was a transition year, and we consider a direct comparison is not fully meaningful. Hence I will focus on the build up of this 2016 free cash flow, which is normalised in its structure. Q3 showed a further improvement in corporate operating free cash flow, doubling the H1 performance resulting from our Q3 operational and performance [inaudible], but also some seasonality effects. On a nine-month basis, our strong performance includes, as planned,

pgi.com

growing non-fleet capital expenditures sustaining our mid- to long-term vision, notably customer journey, digitalisation and pricing tools next phase development. Positive change in non-fleet working capital for 7 million on a nine-month basis, offset by [inaudible] provision. And income tax affecting, as usual, some seasonality effect within the Euro due to diverse tax mechanisms across our different countries. Finally, the pursuit of our Fast Lane programme for circa 9 million was offset by some cash one-off elements as seen in the P&L before.

Please go now to the page 14. Below corporate free cash flow, we present impact related to, first, fleet movements, rental fleet and fleet working capital and fleet financing facilities, second, the investing activities, and finally, corporate financing operations. The continuation[?] to our IFRS cash flow is presented in the appendix. Our corporate free cash flow is offering strong [inaudible] acquisition and shareholder returns.

For the first nine months, we invested 27 million in our acquisition programme, with notably our third franchise in France, Brunel, ride-hailing company in the UK, Bluemove, car sharing in Spain through our Ubeeqo multi-model platform.

Considering our long-term ambition in non-organic growth, we have been opportunistic and took[?] our corporate bond for 125 million in June, right after Brexit. Pending more acquisitions, the cash has been used to replace the RCF[?] mechanisms, including, temporarily, fleet financing on the balance sheet. Lastly, in order to better explain the fleet change impact on our cash flow, we have slightly amended the presentation. As you can see then, the evolution reflects growing fleet on the balance sheet to sustain operations and usual cut off effects. Worth noticing variation[?] of the fleet is also managed with our off-balance sheet operating [inaudible].

Please turn now to page 15. On the debt structure, and as a result of our resilience and de-risked asset-backed financing model, the fleet and corporate net debt are monitored and reported

pgi.com

separately. The bridge of the net corporate debt, as of September, is presented versus end of December 2015 to reflect the year-to-date cash flow dynamics in light of our new capital structure. Net corporate debt amounted to €155 million versus €235 million at the end of December 2015, with a corporate EBITDA leverage at 0.6 times which is mainly driven by the continuing improvement in corporate free cash flow at €166 million from the strong[?] business performance, second, M&A programme managed in the beginning of the year for 27 million, cash out to manage our tactical share buyback programme and our liquidity contract, and finally, a negative 30 million impact, which includes Forex impact relative to pound sterling devaluation, increased cash reserve linked to the increase of level of secured financing due to seasonality, and other cash and non-cash items such as amortisation of financing arrangement costs. The strong balance sheet and debt structure allows the Group to continue to invest in its future in supporting both its organic growth and its acquisition programme, while delivering shareholder returns. With this, I hand over for Philippe for the conclusion.

Philippe Germond: Thank you, Caroline. As a conclusion, I would like to confirm the guidance and the increased shareholder return for 2016. So the guidance, we confirm, is a slight increase of revenue on an organic basis at constant currency and perimeter excluding petrol impact, and adjusted corporate EBITDA above last year of €251 million, and adjusted corporate EBITDA conversion to corporate free cash flow above 50%. And, on the shareholder returns side, we have a strong and resilient cash generation, and considering the M&A achievement for 2016, we will deliver to our shareholders, an increased dividend pay-out ratio of at least 50% of net income for this specific 2016 year.

So now we give you the floor for the questions.

pgi.com

Operator: Thank you. If you would like to ask a question, please signal by pressing *1 on your telephone keypad. We will now take our first question from Anand Date from Deutsche Bank. Please go ahead, your line is open.

Anand Date: Hi. Good afternoon, everyone. I've got a couple of questions, please. Could you talk about Q4 and what you're seeing in terms of industry de-fleeting? Is that going as well as you'd hope? Clearly the implication will be what pricing will look like in Q4. And then, secondly, on the fleet mix, can you update us on any changes you're making with regards to type of models you're ordering from the OEMs[?]? And then, finally, given what we've heard – I mean, clearly, the Hertz stuff doesn't really impact you, but from what we've heard from AutoNation in the US as well, are you beginning to see any impact on your buy back agreement pricing in the last few months? Thank you.

Caroline Parot: Hello, good afternoon, this is Caroline. I will cover at first, very quickly – in all, you know that the business model of Europcar is built totally differently. The de-fleet asset-based fleet management programme is really something that we are building on since years[?] in our strategy, giving us strong visibility and resilience with the way we are managing the cost of the fleet but also the utilisation. We do then have a strong visibility and [inaudible] forecasting vision[?] thanks to our team in revenue capacity management. And we are also relying in Europe on a strong balanced customer base as it was stated in the – Philippe introduction, for the strength of the business model, so that unfortunate story that we are looking at in the US has nothing to do with the way we, as a European player, are operating in Europe, in addition to a network which is not built in the same way. So we are contemplating what is happening, but we see no reason for us to change nothing and it has no impact.

And on your question on the buy back, we do not see any changes because, effectively, we have maintained the same policy of the buy back program since years[?], and no change recently nor

pgi.com

no change visible for the next current year, which we are under negotiations and we see absolutely no reason to change the vision as of today. And the US case is not transposable in our view to the European perimeter.

On the fleet mix, we are adjusting permanently the fleet car category to the demand we are facing and this is the robustness of the revenue and capacity management team which is doing that for us. We are contemplating the [inaudible] and we are fleet planning not totally [inaudible] this view, the fleet capacity not only on volume, but also in terms of car categories, and we are allocating our choices by country depending on group umbrella discussion we have with vehicle[?] of the manufacturers.

On Q4, covering your question, we do continue to see a good leisure momentum as a continuation in Europe of what we were facing – not the same volume, but what we were facing during the quarter. We see that also, the corporate momentum is probably not strong, but soft, but nothing which is unexpected on our side. Obviously, we may feel that the competition may be, in some cases, over-fleeted and we are monitoring that with our revenue and capacity management team to take the adequate decisions in this environment.

Anand Date: Okay, that's great. And, sorry, I just have one more. I remember at the time, on Capital Markets Day, it wasn't completely clear under the new reporting segment, exactly what KPIs we would get. Is it... If I'm looking at slide five, is that what you think we will get going forward, or should we expect more KPIs by business segment?

Caroline Parot: What we said during the Capital Markets Day is that the full organisation and implementation will be managed from a group perspective as of January in all its detailed manner. We were thinking for this Q3 communication that talking towards the view [inaudible] more flavour on the top-line evolution was a natural condition, but there will be more, obviously.

pgi.com

But we are building up all those documents together and reporting together, which will be managed for 2017. For this quarter, we wanted to highlight to you, some very few ones to see the dynamics of the group evolution on top-line.

Anand Date: Okay, that's great. Thank you very much.

Operator: Just as a reminder, please press *1 if you'd like to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal. We will now take our next question from Peter Gurig from BlackRock. Please go ahead, your line is open.

Peter Gurig: Hi, thanks for taking my question. I would just have three questions. One is if you would be able to detail anything you're seeing on residuals prices in different countries in Europe and how you see those developing and if that's having any effect on your negotiations through buy backs next year with the OEMs. That's one question. The other one is, just going forward, what is the expectation for pricing for InterRent? Do you expect at some point for that pricing to turn positive or kind of what is the strategy there? And the last question is if you are planning on doing any share buy backs, if you could provide any commentary there, because I think I did see that you bought about 3 million worth of shares this quarter, so if we can expect anything going forward.

Caroline Parot: Okay. On the residual[?] value, you know that at Group level, the vehicle programme, means no residual value impact, is representing more than 90% of our fleet purchase. So we are not well-placed to tell you what are the residual value evolution, because this is something that we are monitoring locally in some sector of fleets, and we are very cautious, so we don't report any losses even on our residual value for few [inaudible] we do have. We do consider that there's no linkage and we have been always very clear on that, between the residual value and the pricing of our buy back, the buyback price we get from the manufacturer is a fixed price.

pgi.com

Depending on the public price with a discount when we purchase to them, that is the public price of the manufacturers. So we have been always linked to the public price more than any residual value, and we do not see any reason for changes in that direction. So when the residual values are strong or the residual values are not strong, it has never changed the way we are managing our buyback programme with all the manufacturers, and no impact in our P&L, even on the 10% fleet which are maintaining[?] at risk.

On the share buyback question, we remind allocation principle which is top-line growth strategy and profitable growth by investing and deploying CAPEX and the transformation programme, acquisition programme and shareholder returns. We said recently that also along the course of the year, that share buyback was tactical to help us to manage, in addition to the liquidity contract, the stock price in some periods where we were suffering more than we were thinking the value of the share to be.

So this share buyback is very tactical. The real return to shareholder has been reiterated by Philippe in the guidance and reiteration of the guidance, meaning dividend pay-out ratio of at least 50% for this year '16, considering the low pace of the acquisition programmes, and even though we do consider we will have in the next coming months acquisition anyway in our company.

Your last point was on the pricing of InterRent. Obviously, InterRent is a strategic initiative for us. We are deploying a low-cost brand across the Group. The pricing strategy is set up by country with a price positioning which is low-cost, depending on what low-cost means by country. So, for sure, the price of InterRent is strongly lower than the price of Europcar, but the P&L structure below is also managed as a low-cost one. And depending on the implementation phase where we are in the country, we are playing more or less the pricing strategy to accelerate the deployment of the brand. When we are in countries where InterRent is already well mature in its positioning, the price strategy is played with low-cost entry point and ancillary development.

Peter Gurig: Okay, thank you. So I think I would just have one follow-up clarification there. I do understand that your buy back contracts are linked to the actual price of the car, but I assume that there's some kind of spread when you negotiate the price that you will be selling it back at. So, let's say, at 10,000 kilometres, the agreement is that you will sell it back 30% less than you bought it for. So I'm wondering if that spread has changed, that next year, you know, they're telling you you have to sell it 35% more, or 25% more. Do you see it moving in our favour or against you?

Caroline Parot: We see no change. The buyback agreement, I recognise, a little bit more complex than pure depreciation because obviously, there's a threshold on the mileage and so on, but this is a regular one which has never changed, and we see, so far, no changes at all, as we are not seeing changes following the recovery for 2008 and 2009 crises when we are not seeing more favourable conditions during the '09 and '08 crises. So no changes in our view.

Peter Gurig: Okay, all right. Thank you very much.

Aurelia Cheval: Aurelia speaking. I'm going to read you two questions sent by [inaudible] at Morgan Stanley. First one; given some of your competitors, can you please give us a bit more detail on the strength of total revenue and [inaudible]? Second question; what has improved since Q1 and Q2?

Caroline Parot: The strength on the revenue side – we benefitted from a strong leisure momentum in Europe, and we have been able to manage with a strong yield management, the demand, and to enhance, in some countries, mainly France, more demand on the back of the terrorist attack

pgi.com

which arrived mid-July. So the demand on leisure was expected. We have been very well organised with all our team to capture, depending on the [inaudible] of the countries and to be able to serve this demand while we benefit since years to the low-cost segment implementation in Southern Europe following the closure of Africa and now Turkey for low-cost segments. So we have been able to capture this strong demand and we have been able, with our yield team, to manage the price adequately depending on the recent period over the quarter.

The question could also [inaudible] on the corporate segment. We have also mentioned earlier in this call that the corporate contract demand was slightly better than what we faced during the H1 period which was a pre-Brexit one while we have been always cautious on the development of [inaudible] and we are monitoring it on a very daily basis, looking at all possible Brexit consequences which seems to be less impactful than we may have feared at the beginning, but we are still cautious. And we are also considering that there are probably a little bit too much fleet in some of our competitors pushing them to pricing pressure that we don't want to go for. And you know that the flexibility of our business model is strong and we can also decide not to go on all the price competition.

The question on is it changing our views on what has happened during our revised positioning on the top-line late July, we are seeing a leisure momentum which is confirming our expectation. We were conscious that the European leisure business was strong. There could be plus and minus depending on the area, but we were considering it will be strong and it has been strong. We were having some question marks on the business corporate demands, which is still soft, probably on some area less difficult than we kind of anticipated, but still soft, and this is really something that we are cautiously monitoring with pricing [inaudible], which is not only the volume, the volume price and utilisation, which is making the resilience and the robustness of the P&L fall[?] through.

Aurelia Cheval: Thank you.

Operator: We will now take our next question from David Cerdan from Kepler. Please go ahead, your line is open.

David Cerdan: Yeah, good evening. I have... Sorry, I have not been able to open the slides, but can you give me, please, the trends for the pricing for Europcar and InterRent? First question. Second question is regarding the operational leverage. Your top-line has been better than expected and very strong, but if we look at the adjusted corporate EBITDA, it's quite flattish. So can you explain the reason why there is an absence of operational leverage in your corporate EBITDA? Thank you.

Caroline Parot: Yes. No, David, thanks for the question. I will try to sum up what we do think in the business. So, the car segment, which is Europcar, was up in price of 0.8% when we compare to the same period last year, which we do think, in the current terrorist attack in Europe, was very strong, thanks to the yield capacity team. The price for the rest of the group, for the full group, was -1.1 on a reported basis, namely -3.9% [inaudible] on InterRent and -3.8% in Van and Trucks. InterRent, I said that the pricing of InterRent was good, if not up, in countries where the business model is already well-established, while the pricing that we are showing is a mixed effect of the penetration strategy we do have with the [inaudible] segment for the new countries we are developing.

On the Van and Trucks, the pricing strategy is more reflecting our effort to capture more longer duration business and to sustain utilisation rather than profitability, and we do consider each price matter, it is not the key driver we are using to manage this segment.

Your second question of EBITDA – so we have record margin in Q3 2016, which is made of a strong progress at constant currency, because when we look at what is happening regarding the

pgi.com

pound effect on our UK operations and some other forex currency, we are growing by 7 million. By growing by 7 million, we also feel that we have continued to invest. You know that our business case is that we have flexibility on the investments and we are considering that the momentum of the top-line is enough good for us not to cut the mid-term and long-term investments, notably, and I mention, digitalisation and customer journey programme, altogether for €2 million, the continuing InterRent development in the network for €1.1 million and to also [inaudible] because it is part of the integration of the volume network costs with integration of the third French franchisee.

So we do consider that the full swoop[?] is strong looking aside the currency sterling effect and the investment case we are continuing to build up. Obviously, on the fleet side, we have a good level of fleet cost per unit for the depreciation side, probably small issue on the damaged process in Germany, which is impacting a little bit the margin of [inaudible] costs which we are working on. And we have also a continuing investment in our direct channel distribution while we invest in [inaudible] channel at the same time. So incremental costs likely to deploy and continue to deploy our direct-to-brand strategy, which is a kind of marketing investment. So considering the strong momentum, we continue to invest, and we have a strong performance on the full perimeter regarding what could have been feared by some of the analysts and community of analysts at the end of Q2.

Philippe Germond: And it does include the CRM investments that does include the investment also on real-time yield management, so we are clearly investing for future possible growth.

David Cerdan: Okay. Is it possible to just ask a question regarding Europcar's [inaudible] 0.8, which is a good number. How do you explain – is it just a mix of cars, is it a mix of [inaudible], or is it just because of yield?

pgi.com

Caroline Parot: It is many... You know that, effectively, it is a complex mechanism where we report by all countries. We enjoyed a good momentum in the leisure, meaning that the yield management has been pretty effective. We do have also new service offers more luxury ones to the customers, so we are deploying a range of offers and services which are clearly enhancing the pricing developments. But in a nutshell, the yield management reported by new tools and our revenue and capacity management team is really at the core of what we are doing in those periods, which are more volatile than before. And we cannot...

David Cerdan: And...

Caroline Parot: Sorry.

David Cerdan: No, no, sorry...

Caroline Parot: I was saying that the [inaudible] side of that is that our yield capacity management is strong and you can see that the fleet utilisation rate is strong in [inaudible]. So when you look at how difficult it is to improve the utilisation in very high peak season, we do consider that the exercise that we manage is great – more than great, because pricing is up but utilisation is strongly up as well in a season which is high anyway each part of the year.

David Cerdan: And do you see that you have gained some market share during this summer, and who are the losers?

Philippe Germond: Difficult to say. And we don't have the [inaudible] updated figures. I mean, once again, as mentioned by Caroline, we grew on the Europcar's car rentals 3.5% and with, once again, a very strong growth on InterRent – 67%. So at that stage, we can clearly say we have clearly benefitted from the trend leisure and we did a very good job on that line.

David Cerdan: And regarding your guidance for 2016, so on the last 12 months, you have delivered 250, your objective is at least 251. Do you think that you could materially exceed this objective for 2016, or [inaudible] question, how comfortable are you with this guidance now in mid-November?

Caroline Parot: I think that perhaps you didn't listen to Philippe at the beginning. We have confirmed the guidance as we confirmed it four weeks ago. Those results are showing that we have a visibility and a strong management of our profitability. Obviously, the sterling effect is something that we need to look at, so we are confident and we are confirming. And we do have also to monitor the November and December period which are always a little bit more challenging, whatever the year. Looking also at the competition being probably, on some aspects, over-fleeted, so the pricing could go in one direction or another direction. We are totally comfortable in our guidance. To see if it will be above that, we want to measure all of our activities while we are investing. So really we are monitoring our investments. You know that the digitalisation, the effort on the customer, are strong, and we want to continue because we are preparing already Q1, Q2, but more importantly, Q3. And you don't prepare Q3 in Q2. You prepare Q3 of next year now and in Q1. So investment case are also something that we are contemplating regularly.

David Cerdan: Okay. Okay, thank you very much. Thank you.

Operator: Just a reminder, if you'd like to ask a question, please press *1. We'll now take our next question from Anand Date from Deutsche Bank. Please go ahead.

Anand Date: Hi, everyone. Sorry, I just had a couple more, but I reckon the answer's going to no. On the new mobility solutions, is there you can say about the financial performance, what the losses are like there, what you expect them to be? Is there any way we can strip them out to look at the underlying business? And, secondly, again, I suspect the answer is ‘we don't know’, but if we were to try and think on an underlying basis, excluding the security events in Europe and so on, do you have any kind of underlying figures that we can look at? Thank you.

Caroline Parot: Can you... We don't understood your last question. Perhaps linked to the first one, but we are not sure what you asked us, in fact.

Anand Date: So the first one is around new mobility solutions, so, for example, the way you've acquired Brunel. Can you give us any sense of what the losses are like there, what you think... You know, what the expectations are for next year, what your kind of return expectations are, any colour on that?

Caroline Parot: And the second one, Anand, sorry?

Philippe Germond: It was the second one which...

Anand Date: Ah, yes, sorry, sorry. The second one was, you know, you've talked about the hangover of the terrorist events still impacting you in Q3. Are there any kind of underlying figures that you might be able to give us? Is there any way that we can try to x-out[?] those impacts, or... My suspicion is, it's almost impossible to do that.

Caroline Parot: Your suspicion is not totally false, because when we looked at the Brussels attack in Q1, it was not a leisure country and it was a small perimeter, so the worldwide vision was shocking, but, anyway. When you look to Nice, you have the long-haul to Nice, but you have also the long-haul to Paris and probably some more locations to other countries. So we know that we lost a few millions during the summer regarding arrivals. Very difficult, then, to have a full momentum. Philippe mentioned we are very local so it is not only the airport which matters, we have a good domestic business. The real question is how will the European long-haul vision progressively.

We are monitoring carefully, but we know that US election are usually also stopping some movements so we'll see now that it is done what will be the other movements. So we are... Even if we were having some figures, especially on Nice, we don't consider Nice the entry point of [inaudible]. It is more spread over the territories from the long-haul [inaudible], we are not sure what could be the numbers. We know that people were overall acting on the pricing on the west side, then stopped immediately. So it could be many things, so we are not able to give you a number. On the mobility, the business unit reporting, we discussed during the Capital Market Day, will be in place for January to be able to guide you through P&L data or P&L KPI which are more precise, which will be IFRS reported [inaudible], where we do consider it is investments in the way we are culturing those activities, some of them being already [inaudible], some of them being still investment case. So starting next quarter, we will guide you through more precisely on those activities.

Anand Date: Okay. And, sorry, I just have one more. I know I'm taking a lot of time, I'm sorry about that. Now that the US travel ban to Europe is over – I think it ceased in August – have you seen any pick-up in bookings as a result?

Caroline Parot: We are entering into low season, so whatever is the pick-up won't be significant compared to what is happening. So now, the team is focusing on the next year strategy. We cannot, in a few weeks, any significant movement in a post-leisure season for the long haul.

Anand Date: Okay, thank you.

Caroline Parot: Thank you, [inaudible].

Philippe Germond: Any more... Any more questions?

Operator: There appears to be no further questions at this time, so I would like to turn the call back to the host for any additional or closing remarks.

Philippe Germond: Okay, so, we are very happy to share with you our strong Q3 results, so thank you very much for attending. This result clearly confirms the robustness and the resilience of our business model. So we will probably meet some of you within the next few days during our shows[?] and once again, thank you very much for joining us tonight.

Caroline Parot: Thank you.

Philippe Germond: Bye-bye.

Caroline Parot: Bye.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.