Europcar Mobility Group's Q3 2018 Results Conference Call Transcript

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PRESENTATION

Operator

Ladies and gentlemen, good day, and welcome to the Europcar Mobility Group's Third Quarter 2018 Results Conference call. For your information, this conference is being recorded.

At this time, I would like to hand the call over to Olivier Gernandt, Investor Relations Director of Europcar Mobility Group. Please go ahead, Sir. Your line is open.

Olivier Gernandt - Europcar Mobility Group - IR Director

Thank you, operator. Good morning, everyone, and welcome to our Q3 2018 results conference call. In a moment, I will hand you over to Caroline Parot, our CEO; and Luc Peligry, our CFO, who will take you through the presentation, and then we will as usual 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 2 of the 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 - Europcar Mobility Group SA - Chairwoman of Management Board & CEO

Good morning everyone, I am delighted to share our Q3 results today with you, since they are excellent. But beyond the figures themselves, what I would like to emphasize before we go into this presentation, is that these results are the proof of how agile we have become, with a stronger than ever capability to manage complex projects in a very short timeframe. Projects such as the integration of Goldcar for example, without disrupting our daily operations at all, even during peak season. Another great source of satisfaction is our digitalization. Digital Marketing has really become a powerful business and competitive asset for us, as you will see in a few minutes. It is now a powerful growth driver for our brands, and the way we leverage technologies to drive e-commerce performance definitely makes us a front runner in terms of ROI. This is very promising for the future, I mean for Q4 onwards, with key programs and initiatives, Click & Go of course, but also Connected Cars, which will be rolled out and will create added value for our customers. Last but not least, we will accelerate – in fact, we already are accelerating the execution of our "Leverage & Scale up" strategic framework, to become leaner and leaner. In other words, to optimize and synergize everything that needs it, whilst developing everything that deserves it, business of operational performance wise. So year to date, we delivered 300 million euros of corporate EBITDA (vs 225m last year at the same period), this is a strong performance indeed, and quite an achievement.

What does it demonstrate?

Two things that we are going to go through during this presentation. First, the acceleration of our transformation into a mobility service company creates value, and second, our strategy, which consists in leveraging & scaling up our assets at the same time, enables us to move forward at a fast pace, with confidence and ambition for our future.

As I just told you, our transformation creates value. Why is that? Please go to slide 4. What do we mean by platform? The addition of our network capabilities and the power of digital…which powers our ability to serve our different segments in vehicle rental. And now with a strong capability to serve new usages and new needs in urban environments, such as Paris. Since 2014 and the acquisition of Ubeeqo, we have remained true to a strong conviction: the re-shaping of the mobility ecosystem is a unique opportunity for us to develop and grow significantly as long as we are able to embrace the changes this reshaping implies. This is why we have, step by step, transformed ourselves, becoming a mobility service company going from a mono-brand, mono-business, car centric model to a multi-brand, multi-business, customer centric one. We now have over 6m customers but what matters is our ability to meet their mobility needs with appropriate solutions in all segments, be it for one hour, one day or one week. Over to slide 5. These figures are not pro-forma but reported and represent our new profile today, as the Europcar Mobility Group. This strategic repositioning supports, I would even say drives our growth, and our results speak by themselves in terms of revenue growth. First, Cars, our historic business, delivered over 10% growth thanks to Buchbinder's integration of course, but also thanks to the very good performance of the Europcar brand. Second, in Vans & Trucks, we grew by over 40%, thanks to the deployment of our offer on the ground and to our « supersites » plan and in Germany, and also again due to the integration of Buchbinder. Third, in Low Cost, we delivered over 200% revenue growth with Goldcar now in the Group's portfolio. Finally, in New Mobility, our revenue grew organically by over 50 % and we think the future is very promising in this area, given what is going on right in major cities everywhere.

Over to slide 6, engaging the company in such an ambitious transformation program requires to be clear on priorities as well as flawless in execution. With this in mind, we designed our « Leverage & Scale up » strategic framework, with the objective to provide clear focus and targets to BUs & function with a strong project management support at Group level to ensure fast execution and once again leverage our existing Platform & Network capabilities. So, what have achieved over the last months? We have been digital for years now, but I am proud to say that we definitely have changed league, turning into a strong player, able to leverage technology to drive performance. We are now on slide 9, we have invested heavily in digital and technology over the last 18 months and these investments are starting now to pay back. First illustration with 3 very significant KPIs for the Europcar brand: (1) e-commerce is driving leisure and direct to customer growth; over the last 9 months, on our Europcar websites, invoiced revenue was up 9%, reservation revenue was 10% and cost of sales was down 9%. Those results are more than encouraging and are supporting our strategy towards full digital customer journey.

On slide 10, we show you some of the efforts and investments we have made with other leading brands in our portfolio, with a strong group coordination & process harmonization. Thus, we have delivered the same kind of performance for Goldcar and Ubeeqo with Invoiced revenue up 14% at Goldcar and up 77% for Ubeeqo.

On slide 11, we go back to Europcar. Is is interesting to point out that this growth is mainly driven by our apps (IOS and Android), which outclasses the desktop and mobile site versions. This proves that in terms of customer experience, it is up to its promises of clarity and ease of use. On slide 12, even more Interesting – and strategic, the move we have made into smart data to improve performance. Two illustrations. First example, retail intelligence: we have developed a module able to make relevant recommendations to customers, based on what we know of them. With, as a result, significant revenue / user progression. Second example, which is very promising, our predictive CRM. Basically, what I am talking about here is an algorithm that helps our marketers, thanks to smart data, to design and deploy the most effective possible campaigns.

On slide 13, we show that these achievements were made possible because we have been very ambitious and demanding regarding digital transformation group wide. Within the Europcar scope, for example, we have rolled out key digital initiatives: I just told you about retail intelligence and predictive CRM, but I would also like to mention the fact that we now manage digital marketing at Group level, rolling out global campaign based on an international commercial plan, as well as developing best practices sharing and brand synergies.

Over to slide 14, Goldcar, our other European leader, has been very active on the digital front too with (1) App optimization to improve the customer experience and boost reservations, (2) Digital Marketing leveraging, with a very positive impact both on SEO reservations and cost reduction, (3) Funnel optimization to improve conversion rate and of course revenue, and finally (4), in compliance with GDPR, new CRM data base, resulting in vastly increased reservation and conversion rates.

And now, a powerful example of our capacity to leverage & scale up our assets is what we have achieved in less than 9 months with our Low Cost BU: it is already fully operational!

On slide 16, the first nine months of the year have been dedicated to the integration of Goldcar and the delivery of the expected cost synergies at BU level, which are well in line with the initial value creation plan. The full integration of the two brands in Portugal and the UK has been finalised before the summer season; the management team of the business unit is currently completing this integration process in Spain, France and Italy that will be finalised before the end of fourth quarter of 2018, to ensure fleet cost optimisation in 2019. Achieving all this without any business disruption is outstanding, hats off to all the teams involved. Moreover, in last summer's challenging pricing environment in Spain and Italy, it is clear that owning the leading Low Cost market player has enabled the Group to protect its price positioning for the Europcar brand in those southern European markets. The 2018 summer has certainly confirmed the strategic rationale for the acquisition of Goldcar from an overall Group pricing perspective.

We have also been leveraging our Cars and Vans & Trucks businesses too.

Over to slide 18, these figures are again reported not pro-forma. Thanks to our very good e-commerce performance as well as an obsession for continuous improvement, the Cars BU revenue went up 11% (RPD up 0.4%). Great satisfaction; the V&Ts BU, with a revenue up 41%, thanks to the development of ground presence as well as the supersites program. Buchbinder grew double-digit in the first nine months of 2018.

Last but not least, the BU New Mobility. Although it is still young and in its early steps, its future is very promising and we are slowly but surely scaling it up, I would even say wisely, to ensure that we make the right choices, in line with what we understand of customers' and cities' real needs and demands, avoiding announcement effects. First, we will listen to customers then move on, that is our creed.

This is by listening to our customers that we are the N°1 fleet of roundtrip car sharing in Paris, with near to 500 vehicles, its user base grows by 20% monthly. We strongly support Ubeeqo's development in major cities, where, for now, the limiting growth factor is parking spaces. Another very successful car sharing brand in our portfolio, which happens to be a subsidiary of Ubeeqo: Go Car, which should soon have a fleet of over 500 vehicles in Ireland (Dublin & Cork mainly). This is also by listening our customers that we bought Scooty, a scooter sharing start-up based in Brussels, in Q2 2018. And if you add Brunel, our Ride Hailing service, into the equation, you get a revenue up 52% YTD.

Over to slide 22, what a journey we have made since 2014. And what a transformation we have achieved. 4 years ago we were a mono-brand, mono-business, car centric company. Now, we are a multi-brand, multi-business, customer centric Group. With a much bigger scale. After one year of leveraging & scaling up our assets, here are the results, results which illustrate this new scale. Luc will drive your through the detail of our Q3 results but these are some of the key Group KPI's for the first nine months of 2018. Almost 2.3 billion euros of revenue year to date, 300 million euros of corporate EBITDA over the first nine months of 2018 and deleveraging to 2.4x are all very satisfactory figures.

And with that let me turn you over to our CFO, Luc Peligry.

Luc Peligry - Europcar Mobility Group SA - Group CFO

Thank you, Caroline. Good morning to all of you, I am very pleased to present to you the good performance of Q3 which is as you know our peak period of the year. You will see from this performance the translation and the impact of the major changes and transformation engaged over the last 9 months. I will begin this presentation by giving you highlights with the key figures of Q3. We have achieved revenues of close to one billion euros in Q3 at €989m which is a growth of 25% in reported figures and a 2.6% growth on a pro-forma basis. New Mobility including mainly Carsharing with Ubeeqo and Ridehailing with Brunel grew by 46% and represented €9m of revenues in Q3.

We will from now on talk about pro-forma figures since as we mentioned at our HY 2018 results in July, our revenues generated under InterRent one of the Group's low cost brands are mixed with Goldcar activities in the Low Cost BU and does not allow us to monitor our organic growth anymore. In terms of Corporate Ebitda we achieved €241m an increase of 50%, or twice the revenue growth. Net income stands at 148M€ a 42% increase vs LY and to finish with the cash generation, we delivered a Corporate FCF of €102m for Q3, more than doubling last year's performance.

I am now on slide 26. Our Q3 revenues grew by 25% on a reported figure and enjoyed a pro-forma revenue growth of 2.6%. It is slightly below our annual guidance due to the impact of InterRent on the performance of the BU Low Cost which I will explain in a few minutes. However, we remain comfortable with our FY guidance as we have grown our revenue by 4.0% year to date on a pro-forma basis. 50% increase in our adjusted corporate EBITDA on a reported basis with a 410 basis points increase in our adjusted corporate EBITDA margin from 20.3% margin to 24.4% margin. This is a great satisfaction! It proves the Group's ability to generate significant operating leverage and the recent acquisitions, particularly the one of Goldcar, have a been a strong booster in that regard. Net income and net margin also increase significantly which bodes well for our 2018 dividend. Last but not least, our corporate free cash flow more than doubled in Q3 compared to LY and our FCF conversion increased by 1100 basis points from 31% in Q3 17 to 42% in Q3 18. And as mentioned by Caroline, we are at 58% FCF conversion year to date.

Now on slide 27, let's dive in our key operational indicators to better understand the levers of the performance with our three major operational KPI's that all showed significant positive trends in Q3 on a Year on Year basis. Our rental volumes or number of daily rentals increased 28% to 28 million days. Our fleet utilization at Group level increased by 70 basis points to above 80% in the third quarter as a result of a good performance from the BU Cars and more importantly by the positive impact of Goldcar (which had an 89% utilization rate in Q3 18). Last but not least, our monthly fleet costs per unit decreased by an impressive 10% to 218 euros versus 242 euros in the third quarter of 2017. This good performance was impacted by a positive mix impact due to our recent acquisitions of Goldcar and Buchbinder but also by the good work from our corporate teams in terms of fleet purchasing, damage recovery and re-conditioning).

Please go to the next slide to discuss RPD trends on a BU by BU basis as the blended one is impacted by our business mix and as a result much less relevant. I will however underline 2 that the blended RPD is naturally going down because of the change of mix and the integration of Goldcar. Starting with the BU Cars, good performance in reported revenue with 667 M€ and an 8% growth rate. On a pro-forma basis, we delivered a solid performance in Q3 both in terms of volumes as well as in terms of pricing. We were able to increase our RPD by 0.4% in the third quarter which proves how agile and astute we have become thanks to our demand forecasting and pricing optimization. This is particularly satisfactory as it was achieved in a context of a challenging competitive environment particularly in southern Europe as mentioned by one of our US peers yesterday. It is clear to us that owning the leading low cost brand has been a powerful tool to protect our pricing at the Europcar brand.

In Vans & Trucks, we enjoyed a 24% reported growth thanks to BB integration but also with a solid revenue growth of 4.5% notably in Spain or France on a proforma basis with a 6.5% increase in volumes and a 1.9% decline in RPD. This decline is an anticipated consequence of the Group's strategy to focus on corporate / SME customers through longer duration of rentals and the deployment of supersites, which is delivering solid revenue growth and profitability improvements. It is worth noting that the integration of Buchbinder's Vans & Trucks business has acted as a significant boost to the Group's Vans & Trucks business in Germany, where the Group is now the clear market leader.

Finally in Low Cost, the biggest transformation the group entered in 2019 with the integration of a company bought in december, a new brand Goldcar and the integration and the re-positioning of InterRent as mid-tier brand. This major change has seen the revenue multiply by 3 on a reported basis and a flat revenue growth on a pro-forma basis which is a tale of two brands. On one side, Goldcar continued to deliver good revenue growth with solid volume growth and some pricing pressure particularly in Italy and Spain. On the other, InterRent saw as expected as significant decline in revenue as it has not yet been repositioned as a mid-tier brand. This will take place over the course of 2019 and we expect to see the full effect of that re-positioning on both brands next year. As mentioned earlier when discussing the Cars BU performance, our Low Cost BU took the bulk of the hit in terms of pricing pressure in Italy, Spain but also in the UK and enabled us to protect the pricing at Group brands, the most important being Europcar.

I am now on slide 29 where we are comparing margin figures versus last year's reported figures. In terms of Margin after Variable Costs, which as a reminder means after fleet holding and operating costs, revenue and rental related costs, as well as insurance costs, but before fixed costs (Network, Headquarters, Sales & Marketing, Fleet financing costs). The margin after variable costs (MAVC) was up 250 basis points at 47.2% in the BU Cars in the third quarter of 2018 thanks to lower fleet costs and flat insurance costs YoY and a better utilization. The MAVC in both Vans & Trucks and Low Cost was impacted by perimeter effects. Negatively in Vans & Trucks as a result of the full integration of Buchbinder in Q3 2018 (versus only one month of BB in the third quarter of 2017) and positively in the BU Low Cost, with Goldcar which was not in the Group in Q3 2017, with the BU tripling its corporate EBITDA vs last year to reach 90M€ and a margin of 48.9%. Overall, the BU's also benefitted from improving utilization levels, which for the Group as a whole increased by 70 basis points.

To finish with the P&L items, please switch to slide 30, where I will put the emphasis on the costs after MAVC (Margin after variable costs) we just reviewed with 3 major take-aways. First, to me the major take away from these Q3 results is expressed on this slide since it concerns our ability to deliver operational leverage. Well Q3 2018 has really shown that the new Group that we have become following our multiple strategic acquisitions has now started to deliver significant operational leverage. Second, this is caused by the positive effect of our acquisitions on our Group MAVC which was up 320 basis points in Q3 but also by the good control of our fixed costs – Network, HQ and Fleet Financing – which has delivered a 410 basis points increase in our adjusted corporate EBITDA margin. However, this is only the beginning of an exercise which we will intensify going forward, particularly in terms of our network and headquarter costs as a % of Group revenue. And finally, a major part of these costs (HQ and Network) are close to fixed costs and should not grow at the same speed as the revenues. That said, the new size of the company and its ongoing digital transformation gives us an opportunity to further enhance the company's overall profitability through the optimization of its fixed cost base ie Network and HQs. This has already started in the UK where we will have closed close to 25% of the network over the course of 2018 and this type of action will be rolled-out in other countries in the very near future. These costs reductions are key to secure profit and expand the operating leverage of the company as announced for 2020. The last item I wish to mention are the financing costs which have benefitted from the renegotiations that occurred in H1 in the SARF (Secured Asset Revolving Facility), the Fleet bond and more recently in the UK. All these new financing facilities including the fleet bond came at a similar or cheaper price. And last but not least our Corporate EBITDA margin increased by 410 basis points in the third quarter of 2018.

Now switching to Cash Flow and slide 31. Our free cash flow generation was strong as a result of (1) a close monitoring of Non-Recurring expenses like litigation, integration which were at 28 million euros YTD in line with our FY guidance of 30-40 million euros. Our non-fleet related capex reached 49 million euros, mainly as we have been increasing our expenditure into our IT and our digitalization. Our non-fleet related working capital was at negative 17 million euros which was caused by some functional issue that we had in the cash collection in some of our perimeters. We expect that effect to be reversed in Q4. And so we finally our corporate free cash flow generation of EUR 167 million represented a free cash flow conversion of 58% over the first nine months of 2018.

To finish with the corporate net debt, please switch to slide 32. We have been able to deleverage since the end of December 2017 as our net corporate leverage has moved down from EUR 827 million at the end of December to EUR 791 at the end of September 2018. Of note in this net debt bridge is the 88 million euros of fleet financing timing impact. This increase in Q3 is functional and mainly due to Goldcar. It is a timing issue as most of the Goldcar fleet is still financed under the asset buyback program that was put in place at the time of the acquisition and is expected to reverse as the Goldcar fleet financing is gradually switched to the Group's securitization program. As mentioned by Caroline, we expect our net corporate leverage to continue to decline in Q4. It stood at 2.4x at the end of September, come from 2.8x at the end of 2017 and is expected to be even lower at the end of 2018. We also saw a positive impact from the sale of the 25% stake in car2go. Finally, in terms of returns to shareholders, we have returned above 50 million euros so far this year between our 2017 dividend and our share buybacks.

To conclude my presentation, please switch to slide 33 and our guidance confirmation. Since Q3 Revenue growth is now calculated on a pro-forma basis as the full merger of InterRent and Goldcar does not enable the Group to track its organic revenue growth anymore. As a consequence, the Group's initial organic revenue growth target for the full year of at least 3% now shifts to a pro-forma revenue growth target of at least 3%. Pro-forma is defined as at constant exchange rates and including the 2017 performance of Goldcar, Europcar Denmark and Buchbinder. In other words, we mean including the full perimeter of the acquisitions we made in 2017, including Buchbinder, Goldcar and Europcar Denmark, as if they had been acquired on January 1st 2017. We feel confident we will deliver above 3% pro-forma revenue growth and having delivered 4% over the first nine months we confirm we will be above 3% on a full year basis. In terms of corporate EBITDA, we have delivered year-to-date a corporate EBITDA of EUR 300 million, excluding New Mobility, and we confirm that our corporate EBITDA for the year-end will be above EUR 350 million. As for our corporate free cash flow, we have committed to deliver at least 50% Corporate EBITDA to corporate free cash flow conversion; and being at 58% after the first nine months, we confirm that we will be above 50% at the end of this year, and that dividend payout will be above 30% of net income. So in conclusion, we wish to fully confirm the four pillars of our 2018 guidance ie above 3% proforma revenue growth, an adjusted corporate EBITDA before the impact of New Mobility above 350 million euros, an adjusted corporate EBITDA to Free Cash Flow conversion above 50% and a dividend payout ratio above 30% of net result.

And with that, I thank you for your attention and turn back to Caroline for some closing remarks.

Caroline Parot - Europcar Mobility Group SA - Chairwoman of Management Board & CEO

Thank you Luc. Before going to the outlook, continuing on the numbers mentioned by Luc, I want to emphasize that it has been a tremendous work and operational work to grow from the company we were before to this integration in 9 months. With this integration, I once again want to highlight, how strong our teams have been and the progress of their digital capabilities as they manage these scale ups on all our platforms. The work that the teams have delivered over the first nine months of 2018 has been amazing and has translated into our financial performance. So what is next? Or what lies ahead? We are going to accelerate.

I am now on slide 35. By acceleration, I mean accelerate in terms of digitalization & innovation, with the roll out of key projects for us. First, Click & Go (we already have told you about it), with the objective of transforming our Europcar customers journey into a seamless and deskless experience, with beta test starting this week and a first public release planned for early 2019. Second, Connected cars, we have almost 35,000 connected vehicles at group level, and we are entering the beginning of the rollout phase with a need to test at a large scale, data emission reception and data usability for operations as well as to expand benefits for customer through Click'n Go. A pilot has started in Mallorca recently. The Integration of Europcar rental module in WeChat and Weibo has huge development potential, as only 1% of our current customer base is made of Chinese tourists and we want to go faster because it is one of our most promising development avenues for the Europcar brand. And, of course, for the New Mobility business unit, we want to deploy more vehicles and set up partnerships in strategic domains, especially the one we made in the MaaS meaning mobility as a service, for example.

I already stated it several times during this presentation, but customer centricity is key in other words, there is no value but shared value. This is why we have created the function of Group Customer Journey Director. Caroline Jannel, who recently joined us after working on Carrefour's digital transformation, will have a critical role at Group level to develop this customer culture, and an operational digital culture as well. Also, a very interesting program is taking shape at Europcar Mobility Group in Germany, where a Customer Advisory Board is being created right now, with the objective of advising and guiding marketing, business and operations on driving more customer satisfaction through improving services or creating new ones.

Finally, NPS 110, our customer satisfaction program, is and will be ramping up even more in the next months, as we begin to use co-design with customers as a method to best design the services they aspire to.

In conclusion, our acceleration is also internal with 3 key priorities. One, foster our Group culture and develop our capacity to think, decide, act as one. Two, keep on searching for all possible optimizations and synergies and there is still plenty of room for improvement. And three, of course, be lean in everything we design and execute.

Thanks to this full acceleration, we should begin 2019 on a flying start. Within our Group Executive Committee, our Supervisory Board, our Senior Leadership Team, we share the same confidence in the future, because we know that we have the assets, the strategy and the driving force to accelerate our ongoing transformation into a leading mobility service company and to deliver even greater value in the coming months and years.

We thank you very much for your attention and are now happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

We will now take our first question from Patrick Jousseaume from Societe Generale.

Patrick Jousseaume, Societe Generale

Congratulations for these good results. First question on my side. Could you share with us what is the evolution of car cost on an underlying basis results on a pro forma -- results on, let's say, a published basis? Second, could you comment a bit on current trading. Are you able to give us some pro forma figures for Q4 last year? And finally, regarding fleet financing, there is this EUR 82 million target on the free cash flow generation over the past 9 months. So you mentioned that it should be reduced in Q4. Could you be more precise, please?

Luc Peligry, Europcar Mobility Group - Group CFO

So on the fleet cost, Patrick, the fleet cost per unit, we had a decrease in Q3 -- from last year on a comparable basis. But on a pro forma basis, we have a decrease as well on the fleet cost, I think, on both sides, on the holding cost and operating cost. Holding cost is all buying and selling the cars, and we had some good figures on some fleet at risk on the holding cost. And on the operating side, we have some improvement in the damage and the recovery costs in various countries. So that helps us as far as the fleet costs are concerned.

Caroline Parot, Europcar Mobility Group - Chairwoman of Management Board & CEO

So Patrick, to add to this comment, we have been able with the acquisitions to focus our teams on continuing to manage what they know how to manage, meaning the fleet cost per unit, which is declining on a pro forma as well as on a reported basis. So this is really something that the teams in our network despite all the changes have continued to focus on. They kept focusing on strongly managing both fleet cost per unit but, more importantly, to keep a good control of our fleet utilization. So we are really having an operational platform, which is managing large-scale business by continuing improvement and scale-up. Your second point was on the fleet financing and the free cash flow for Luc, and I will take the current trending as well.

Luc Peligry, Group CFO

As far as the corporate debt and the change of corporate debt is concerned, you mentioned the EUR 82 million of the fleet impact. In fact, it's really linked to Goldcar, as you know, that we are switching the financing of the fleet from Goldcar, which was done under the asset buyback and which needed some cash investment as well. So we are switching this Goldcar financing from this ABB scheme to the Group securitization program. So post the summer peak for Goldcar and the end of Q3, we still had this fleet financed by an ABB, but this will be fully switched to our securitization. So this figure decline significantly in Q4 as it is transferred into the Group securitization. As a result, the corporate cash involved into the financing of the Goldcar will disappear. It will not be back to 0, but it will back to 20 million or lower by the end of the year.

Caroline Parot, Group CEO

So your last question, Patrick, was on the current trending. So the current trending we are seeing is perfectly in line with our year-end objectives. Obviously, all the business units are continuing their repositioning in every segment and every market. We are more than confident to reach our year-end objectives; now as with every year, the Christmas period is always important and a good Christmas will enable us to grab the last few percentages that we need to deliver our guidance. But again, so far, we are perfectly in line with our objectives. Your question may come as well with regards to the BU Low Cost. The BU Low Cost overall performance over the summer was planned and Goldcar, as mentioned by Luc, grew as we expected. The repositioning of InterRent as a mid-tier brand has started and will be continued because it is what will create the most value next year and in the future. So that's why we maintain our strong confidence in our full year guidance, but you will see the same effect of of our repositioning strategy on the Low Cost business unit’s performance in the fourth quarter. But it was planned and it is really part of the story we are highlighting during this year of transition.

Operator

We will take our next question from David Cerdan from Kepler Cheuvreux.

David Cerdan - Kepler Cheuvreux, Research Division - Equity Research Analyst

I have a few questions for you, please. First one is on the pro forma numbers. Can you give us the sales and EBITDA pro forma last year, so for Q3, 9 months and full year 2017, just to enable us to compare with your objective for 2018? This is my first question. And second question is regarding digital, so you have invested a lot, but can you explain us how much is it for 2018 versus 2017? And how do you expect your digital efforts to be in future years?

Caroline Parot, Group CEO

I will start with your question on digital, and Luc will take over your first question. On the digital, it is not the bulk of what we have invested this year because, in this year, capex is not particularly impacted by the Goldcar acquisition because we have not yet merged all of the platform. And so it is global more than EUR 25 million of digital investments only on the capex side, meaning that we are only investing in our people and talents. So investment is not only IT investment, it is people, staff, specialists in the digital play. You don't do smart data management and recommendation with same staff as the one who is managing your pricing. And over the last 18 months, we have invested in human capital, plus this year between EUR 20 million to EUR 25 million in our IT. Last year we invested a little bit less than that. Next year will probably be investing a similar amount. We are a digital company. We are managing nearly EUR 3 billion on our platform, plus the one of our franchisees. So if you look at the traffics of all platform, we have a very big platform, which is nearly reaching EUR 4 billion of revenues for all of franchisees as well and partners. So this is an investment that we need to continue to be a strong digital player not only on the distribution but also in the way we are producing new program for our customer. The Click & Go application, which is not just an application but a profound transformation of the customer journey, is coming in addition in those amount of money to have a seamless, best-in-class and painless customer journey for the customers, and we do the same with Ubeeqo. EUR 20 million to EUR 25 million, we will increase some other investments in the historical perimeter, and we will accelerate on this one to cope with the world we are in platform and digital. Investment in human capital is growing as well. For the first question, I -- yes, please.

David Cerdan - Kepler Cheuvreux, Research Division - Equity Research Analyst

No, just I would like to maybe to ask a few more question on this. How do you compare with your peers like Avis and Hertz on the digital offer? Do you think that you're in advance in this? Or how do you compare with them?

Caroline Parot, Group CEO

I'm not comparing really with them because I think that on some business units, we don't do the same job. We are really convinced that we have an advanced tool and an advanced team in all the capabilities we are building. And what we are doing is probably thanks to the New Mobility. So the New Mobility is pushing us much more above not the competition but what we do in the mobility services. So I'm comparing what we are doing in the -- in advance on this story. So for me, the question is not to compare myself with my peers, it's to compare to myself with the customer wants, and the customer wants to have a digital experience, which is not compared to those peers, but it is comparing to the best-in-class worldwide in the travel industry. So what we are building up is capabilities, recommendation on the top of what we are doing. The acquisition rate, we do have in our platform digital. We think we are really above the competition by far. We're continuing to be a strong player on the platform. The question now is for our customers to have the best customer journey, which is not only investment, but it is also how you go to the cars and how you are experiencing in your full journey. So I'm comparing myself now to something which is a flawless customer journey. Whatever they're doing in the others, we are doing it in Europcar brand, we are doing it in Goldcar brand from now on. And the vehicle is by nature purely digital, and we will continue to invest the company is digital on one hand and developing its operational services on the other to meet customer expectations on the field. So first question was for Luc, perhaps.

Luc Peligry, Group CFO

Yes. As far as the pro forma is concerned, we communicated last year on the full year revenue pro forma, including Buchbinder and Goldcar, and the figure for the full year sales was EUR 2,825 million in terms of revenue. This is the figure we had. As far as the Q3 is concerned, we gave the figures for Q3 and for the year-to-date. For the Q3, you said, the revenues, EUR 989 million and for this year, and the pro forma, it was EUR 964 million. And for the year-to-date, we have revenues of Europcar 2,285 million, and last year was EUR 2.2 billion on a pro forma basis.

David Cerdan - Kepler Cheuvreux, Research Division - Equity Research Analyst

Okay. And for the EBITDA, do you have the EBITDA?

Luc Peligry, Group CFO

We do not have the calculation for EBITDA because it is merged between Goldcar and InterRent. So we did for the sales because we saw that from the organic point of view, we could not compute it. As for the EBITDA, we did not do it, we simply cannot do it because it's merged.

David Cerdan - Kepler Cheuvreux, Research Division - Equity Research Analyst

Okay. Because for 2018, you target at least EUR 350 million.

Luc Peligry, Group CFO

Yes.

David Cerdan - Kepler Cheuvreux, Research Division - Equity Research Analyst

And does it mean in Q4 you will have to improve your EBITDA pro forma to deliver this minimum performance or not?

Luc Peligry, Group CFO

We will have to improve the EBITDA for Q4 on the historical parameter. As you know that Goldcar is on the Low Cost side, which will be not conservative on Q4, even if the other acquisition we made in the Q4 last year, including Buchbinder in Denmark, are performing more than they did in the Q4 2017. So we'll have on the historical perimeter, we'll have to do more than last year, definitely.

David Cerdan - Kepler Cheuvreux, Research Division - Equity Research Analyst

And last year, it was 47. Is it correct?

Luc Peligry, Group CFO

47, excluding New Mobility, yes.

David Cerdan - Kepler Cheuvreux, Research Division - Equity Research Analyst

47, excluding mobility, okay. So you have to deliver at least 50 in Q4?

Luc Peligry, Group CFO

That is correct.

Caroline Parot, Group CEO

And David, we confirm our guidance. Fundamentally, the operational leverage on the perimeter of Goldcar is continuing to improve. Goldcar has a seasonality effect so won't contribute to this story. So we know that the bulk of Goldcar is in Q3 and we are knowing that Goldcar wasn't contributing as well in Q1. So we said that we are having a different timing effect versus last year. We appreciate at all that this year is a transition year, and it's fair to say that even if all the numbers are in use, we will try to guide you through a full perimeter of all the element of region reconciliation, InterRent and Goldcar, for sure, in the same business units. We are switching the volumes, and the repositioning in the meantime made the comparison a little bit more complex for you. But at the end of this year, it will be in full new clean perimeter.

Luc Peligry, Group CFO

But when you see the 300 million euros EBITDA bridge, it's a combination of existing and new. And so the existing is already -- it shows improvement from last year. So we are confident with the guidance.

Operator

We will now take our next question from Mourad Lahmidi from Exane.

Mourad Lahmidi - Exane BNP Paribas, Research Division - Analyst

You touched at the end of the presentation on the connected vehicles, 35,000 out of your fleet. Can you give us a sense on some productivity metrics on this connected cars and also when do you expect to fully roll out connected vehicles within the fleet? This is the first question. And the second question, on your cost initiatives in the U.K. You said you cut 25% of the network. Is it done? Or is it behind you? And do you -- what kind of as far as you expect going forward?

Caroline Parot, Group CEO

On the connected cars, first, we have already 30,000 accounts which are connected, which is approximately 10% of the fleet that we operate. In terms of some productivity gain, which are coming either on the operational side to the way we manage our cars with our customers, we are testing a new customer services, and that's why I mentioned that we are piloting in Mallorca something very brand new using the connection because -- in fact, what is a connected car? The connected car is a car which is sending you data. So when you have connected your cars, if you don't translate that data in intelligence to propose new services or to support new operational story, you have done nothing. So the target for us is not to connect cars as you mentioned. The target is to connect cars to deliver new services. In Ireland, the cars which are connected are delivering a great improvement in the KPIs on the damage cost because then we have a clear understanding with the customer on how and what the damage are and how to get the full benefits of that. We have also something which is quite useful or very useful on the fuel. And you know that the fuel in the car is quite important for our customers, and this is really something which is managed differently in the Irish perimeter. In Mallorca, we have recently launched a test. That will improve further the customer experience by enabling customers to drive the mileage and to go for a better insurance understanding and how to better bring new services to the customer. Then based on that, the full rollout of the rent of the cars will be progressive because all the cars currently are being connected more or less. So the question is what do we do with the data? So all the cars we are receiving are more and more generating that task. Now we are building not the connection, which is done, we are building the usage of the connection in a smart way. All programs we are implementing, which are also targeting the customer management in a totally different manner, are relying on this connection to improve our customers' journeys. So for me, I mentioned connected cars because it brings a great improvement on the operational side, but the full benefits of the connected cars will come through the connected car program on how to totally change the customer experience. So we will increase customer retention and we are already gaining in cost optimization wherever it is deployed on our basics such as fleet management, fuel charges and damages.

Luc Peligry, Group CFO

To come back to your question regarding costs, as I mentioned during my presentation, we did a lot of work and Caroline and I detailed that on the revenue, on the digital under the business units, and we can see the translation of this improvement and the integration in the margin after variable costs. What I underlined in my presentation is the 2 areas where we must focus and where we are working with the major programs on the network and on the organization. These are 2 issues that we are working on that we already discussed in H1. So we started already in the U.K., closing 30 stations at the end of July. So that has an impact in terms of reduction already in terms of cost because in the U.K. it is quite quick to implement these kind of cost cutting measures, and that will have the full run rate of these savings in 2019. And we will continue our effort across other geographies in 2019. We have already done some bits and pieces in Germany, but we'll have major restructuring or new, I would say, reduction in terms of network and optimization of HQ to be announced in Q4 of this year in other countries to reduce this cost since we have now the size in terms of our company, in terms of group. And with the transformation and digitalization, as Caroline mentioned, if we can continue on this initiative, that will also reduce our network costs.

Caroline Parot, Group CEO

And that's as for the group. We discussed a lot about customer digitalization, the mirror effect of the internal digitalization of the company, which is helping us to standardize, harmonize all our processes and to grow with fast transformation of our back office functions and with the investments of the group was focusing on revenue integration and business modeling integration. We are very conscious of now the rollout of the reduction costs, and the cost synergy program is to be managed. It is launched. But the primary focus of the management team was integration while building the synergy planning. The synergy are managed. We are rolling out now, and we are going to go beyond the acquisition synergies because we are rationalizing all the Group's headquarter functions.

Operator

We will now take our next question from Monique Pollard from Citi.

Monique Pollard - Citigroup Inc, Research Division - VP

Just a few questions for me, please. The first one is on the pro forma growth of the Low Cost segment in the third quarter. Are you able to list out the Goldcar growth versus the InterRent decline? And comment perhaps on how much of the margin uplift that you saw in that segment was due to the growth of just the higher-margin Goldcar business. And then second question, when I think about the repositioning of InterRent into a mid-tier brand that goes into 2019, is there a margin uplift that we can expect from that, that is sort of additional? Or is that part and parcel of the over EUR 30 million of Goldcar synergies that you've talked about achieving? And then, finally, just on the Net Promoter Score, the stats you gave on the Net Promoter Score, they continue to improve, obviously, on the main Europcar brand. Can you give any comment on the Net Promoter Score and stats for the Goldcar brand and in any steps you were going to take to improve those going forward?

Caroline Parot, Group CEO

So on your first question, the strategy from us was to bring together this year Goldcar and InterRent to be sure that we won't lose any momentum in the customer base, knowing that the agility of Goldcar to manage the profitability of the Low Cost business was stronger than our historical InterRent piece. And as the result where we grew -- and Goldcar grew in quite good shape during the last nine months taking probably some volumes in the InterRent brand, but it was scheduled because InterRent brand is and will be repositioned as a mid-tier, but at the beginning of the year, it was not done. So the margin improvement is coming from the both effects, meaning, Goldcar is continuing to manage its strong development while taking progressively the Low Cost portion of the InterRent perimeter, while InterRent has not been able to be totally positioned this year and the midyear because it was too late with the date of this acquisition. So yes, next year, you will get margin improvements on the full perimeter, coming from the right repositioning of InterRent and the right positioning of Goldcar and its program. As for the synergy, the synergies are mainly driven by cost, but we see obvious synergies to come on the InterRent brand as pricing in the mid-tier positioning and the capabilities of the Goldcar management team to uplift the pricing in a very significant manner. It is part of our synergy planning and scenario planning. We did not measure them completely in our synergy target, which we are more cost oriented, to be sure that the uplift will come progressively. So the re-positioning for us is really something which we have planned this year and which we will manage during 2019. On the promoter score, we mentioned I think in the footnote that we continue to measure the historical group promoter score because both Goldcar and Buchbinder were not on this kind of measurement. And since the beginning of this year, we are really monitoring what is happening at Goldcar level to understand how its customers are reacting. We have fixed already a question of the pain points we have identified during the acquisition. The reality is that we do the same program with them that we are doing also with our franchisee because we want to be sure that we have a consistent program whatever the entry point of the customer being either a brand, either a franchisee. So the satisfaction for us is an element that we are monitoring station by station and country by country, and we can say that depending on where are the customers and where the stations are, you have good results as well in Goldcar and also poor results in some other places that we are fixing now, really taking the same program we took at the group level 5 years ago to transform the Goldcar customer experience.

Operator

We will now take our next question from Harald Hendrikse from Morgan Stanley.

Harald Hendrikse, Morgan Stanley, Research Division - MD

A lot of it been asked already, but maybe one question on sort of growth both the key elements you mentioned, particularly on charts, on page 35, the new initiatives, Click & Go, China, connected cars, and then maybe take that into 2019. What is the potential both in terms of the growth, the long-term growth of the group, particularly with some of these new initiatives, but you're talking about connected cars, China and Click & Go, better experience for the consumer? And with regard to 2019, obviously, there's been a lot of focus on the EUR 350 million this year, but maybe what's more interesting is how much can you keep that going. The margins are a bit higher, but obviously, you don't have all of the same effects in terms of synergies, I think, in 2019 that you've had in 2018. Can you talk a little bit more about what the potential for 2019 might be both in terms of growth and in terms of EBITDA?

Caroline Parot, Group CEO

Yes, thank you Harald. I will not comment on 2019, obviously, you know, but you are right. It was important for the Group to manage this integration process but not to give up at all on what is core for the business of tomorrow, meaning our digitalization. So in the P&L, you see this year, the EUR 350 million, we have the investment not only in CapEx but also in cost and investment with the team and the OpEx to be able to launch these programs to create more customer retention and more customer acquisition next year, so we will guide you next year on what would be our next top line evolution. But we are making all these investments in order to generate more and more revenue next year. All the program around connected cars is already creating some good results in a small perimeter. All the question for us is not 2019 but the rollout between 2019 and 2020 on such big programs which are totally changing the way the customer will perceive the story. So Click & Go, as I mentioned, will go live in early 2019 on the first phase, but there will be progressive ramp up in various measures over 2019 and 2020. So the margin accretion will come progressively from Click & Go for the customer journey. The customer retention and the customer acquisition are expected to grow the topline and to continue to benefit from higher traffic levels on our websites with higher levels of conversion. So higher conversion is expected to support our performance next year. I will not make any predictions on Weibo or WeChat conversions for next year as we have only just launched these services. We need a couple of quarters to understand the true potential of our Chinese customer base and analyse it will react to these new services. What is clear is that this type of initiative will definitely sustain our high growth in the leisure segment but again we will see how this evolves over the next few quarters. Obviously, all those programs will not only increase our profitability, but more importantly, increase our customer retention capability and the strength of our customer relationships, which will ultimately bring further margin improvement as we spend less money to acquire and service our customers.

Operator

We will now take our next question from Daria Fomina from Goldman Sachs.

Daria Fomina - Goldman Sachs Group Inc., Research Division - Equity Analyst

A lot of my questions have already been asked, so I have one left on your use of cash, basically. I know it's probably a premature question. We're 6, 9 months away until your leverage drops further, but you're already deleveraging quite fast. The cash generation, as you said, improved through the year, particularly in the third quarter, with your EBITDA growing and cash reducing your debt, what are your expectations in terms of use of that cash as we get into 2019? If you can talk a bit of about the areas where you think that the market is not yet consolidated and where you see the most interesting opportunities?

Caroline Parot, Group CEO

This year, the focus of the management team was really on the integration of recent large acquisitions as you rightly mentioned. So going back to acquisitions, in our traditional business in Europe, we see some opportunities in the Vans & Trucks segment where we growing fast on an organic basis following the acquisition of Buchbinder last year. In the Cars business unit, we want to grow mostly organically, but we might consider some specific to tackle a particular segment or country. So our use of cash will not change as we were saying at the beginning of the plan in 2017. Obviously, with Goldcar and Buchbinder, the bulk of our M&A plan has been delivered but there might be some more to come. We wish to continue to grow our geographical footprint, particularly as we contemplate on how to grow faster our New Mobility business, where as you know we have a strong ambition. There we definitely expect things to happen for us in the coming quarters. This will be critical, not only for the traditional business, but also as we consider new cities where there is an opportunity to expand our New Mobility business. Hence, we are also considering acquisitions in the traditional car business unit as those are likely to help us growing our New Mobility business at the same time. Having the proper scale is a powerful enabler of our New Mobility business, meaning back offices and operational capabilities. Hence, we are likely to invest into existing or new perimeters, which will help to build the required base and network capabilities in order to grow in the New Mobility area, where we are starting to enjoy a good footprint.

Operator

We will now take our final question from Patrick Jousseaume from Societe Generale.

Patrick Jousseaume - Societe Generale Cross Asset Research - Head of Mid and Small caps Europe Research

I wish to ask two final questions. One is on the synergies with regards to the acquisitions of Buchbinder and Goldcar. If I remember well, you were aiming for EUR 40 million of synergies, and based on some information shared at the time of your capital markets day in January 2018, we understood that you were expecting those to be spread something like EUR 10 million this year in 2018 then something like EUR 20 million in 2019 and then a EUR 10 million additional in 2020. So could you confirm the phasing of these synergies? And second question on Ubeeqo in Paris, could you please give us an update on your targets in the context of the replacement of Autolib's rental service?

Caroline Parot, Group CEO

So on your first question regarding synergies. Yes, your statement is correct. The bulk of the synergies for us on Buchbinder, but Goldcar is really the fleet, and we are currently purchasing their respective fleets for 2019. So we are confirming all our objectives, and the fact that the bulk of the 40 million euros of synergies will come in 2019. We will see how we can accelerate next year, but your computation is right. On Ubeeqo, we already have a fleet of nearly 500 cars in Paris, with as mentioned during the presentation over 20% monthly customer acquisitions' growth since the beginning of 2018. We are not making any big announcements, but we are doing the job. So we will see how we will communicate once we reach the 500 cars' level and we will communicate on how fast we have been growing that presence. The replacement of Autolib is an interesting question, but Autolib is a pure free floating service, which is in our view does not totally serve the car usage which is replacing the car ownership. Ubeeqo is really a car-sharing round trip product, which is really enabling customers, which are not owning cars anymore to go for some riding during the day and to use the service to go outside the city for a few hours for shopping malls outside Paris, out to do sports, out to do whatever they wish, but just for a few hours. That kind of trips is getting more and more acceptance with our customers. So we are delivering. We are growing step by step, but we are meeting the customer usage more than making announcements that we are a pure free floating service on the streets, which is very difficult proposition to manage as we have experienced in the past. And again, a free floating service does not answer all the customers' needs. And so depending on the cities, we are progressing this way. Interesting enough, we are in Dublin, which is a smaller city than Paris, obviously, and where we already have a successful platform, which is GoCar, an affiliate of Ubeeqo. GoCar has a fleet of nearly 500 cars already and is already profitable. So the real question for us is to grow in the cities where customers are increasingly moving away from car ownership and replacing it with mobility services including Ubeeqo's car sharing service.

Operator

There are no further questions at this time. I would like to hand the call back to your host for any additional or closing remarks.

Caroline Parot, Group CEO

I think there is a final question from the web. Olivier, can you perhaps, summarize the question?

Olivier Gernandt, IR Director

The question is about our expansion strategy in the New Mobility space?

Caroline Parot, Group CEO

We are already a significant player in the space with close to 3000 cars in our Ubeeqo fleet. In the space, many players are interlinked because they have some part of the capabilities. We do believe we are well positioned because we have not only the platform and the digital capabilities but the know-how of how to serve customers on a large scale. We are not alone in the space but we do believe we are able to operate in cities where there is a real customer need and to operate a car sharing service in a profitable manner. We do believe as well that many partnerships will be needed because we will not be able to cover every segment of the market. So depending on the customer needs and depending on where our strengths are, we will leverage those strengths as much as possible, either through distribution partnerships, either through partnerships with the cities themselves, because obviously, this business is a business of cities and every city is different. No single player will be able to serve all those needs alone. So we are a good player and a strong player in the mobility space as we are really aiming at replacing the car ownership but the provision of a wide range of transportation solutions.

Olivier Gernandt, IR Director

There are no further questions.

Caroline Parot, Europcar Mobility Group, CEO

Thank you for attending our Q3 results call. We are proud with the whole management team of these results. The Group's transformation is ongoing according to plan as is the integration of the Group's new perimeter. This is not an excel spreadsheet exercise, but really an operational one. When you look at our key metrics, such as the growth in our millions of rental days or the hundred thousands of cars we now have in the fleet, we have stepped up in terms of capacity of what we can manage. This was and remains a huge operational challenge that we so far have been able to manage well, in parallel, to the Group's repositioning and the acceleration of our strong investments into digital marketing, which will be key for the car's future ecosystem in which we will be a key player. I am very proud of my team, which I want to thank for a tremendous job, and I am very proud of the Group that I have the honor of managing. Thank you very much for you attention.

Luc Peligry, Europcar Mobility Group, CFO

Thank you very much.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for your participation. You may now disconnect.