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EUCAR.PA - Half Year 2020 Europcar Mobility Group SA Earnings Call

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PRESENTATION

Operator

Good day, and welcome to the Europcar H1 2020 Results Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mrs. Caroline Cohen, Head of Investor Relations. Please go ahead.

Caroline Cohen - *Europcar Mobility Group S.A. - Head of IR*

Thank you, Mary.

Hello, everyone, and welcome to our H1 2020 results conference call. In a moment, I will give the floor to Caroline Parot, CEO of Europcar Mobility Group; and Luc Peligry, CFO of the company. They will take you through the presentation, and then we will open up the line for questions.

As today's presentation may contain some forward-looking statements, we invite you to read the important legal disclaimer on Slide 2 of this presentation. This presentation is available on the company's website, and a replay of this call will be available on our website later on.

And with that, it's my pleasure to hand you over to Caroline Parot.

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

So thank you, Caroline, and good morning -- good afternoon, and good morning to all of you.

Thanks for attending this conference call for our 2020 Q2 and H1 results. And today, with Luc Peligry, we will both share with you our main achievements and results as well as some future prospects while facing the most difficult crisis ever for the travel and leisure industry with direct consequences for Europcar Mobility Group.

I am on Page 3. With no surprise, our presentation will guide you through how the COVID-19 outbreak has impacted us during the semester and what measures have been taken to adapt to the crisis and restart the business, and the consequence; our financial metrics now and going forward; and finally, on how we are preparing the next steps for the group, resuming the business short term, but even more importantly, mid and long term.

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So please do turn to the Page 5. Okay. So starting early March, COVID-19 created a systemic shock, impacting all parts of the business and the company. First, on our customer needs, which evolved a lot from [sanitary and] mandatory protection requirements to new behaviors in terms of mobility consumption.

Second, on our historical addressable markets as all international traditional flows, leisure or corporate business have vanished and the local domestic markets are only slowly resuming.

And finally, all our corporate regular routines to manage our business, from supplier to employees, have been severely impacted, which required fast and in-depth adaptation of our group fundamentals.

During these last 4 months in order to face short-term and mid-term uncertainties and the related strong changes in the business trends, we fully reengineered our group framework and our organization to be ready to resume progressively our mobility services activities as early as H2 2020, while changing our midterm road map to cope with this new customer and market environments. We are opening now a new chapter of the history of the company, H2 focusing on mitigating the COVID business impacts, while launching our new strategic road map, Connect, that I will cover later on.

Please turn to Page 6. So coming back to Q2 COVID outbreak impact. You can visualize here the different phases impacting the travel and leisure industry, but directly Europcar Mobility Group. Following the significant drop on rentals reporting from the month of March, April faced the full impact of the lockdown in each of every of our geographies with border nearly fully closed. Only domestic business remain active at a minimal level for either essential services or long-term rental duration business segments successfully launched in 2019, and we enjoyed healthy volumes in our van and truck segments, but obviously down compared to the prior year.

Please bear in mind as well that April is the month of Easter vacation period. And not only the volumes were down, but our historical pricing dynamics as well, as the historical price increase starting from April did not occur, which profoundly changed the nature of our revenue as well.

Starting mid-May, even if countries started to lift progressively lockdowns, both leisure and business didn't really restart. We had to wait for June to see some immediate recovery in domestic markets, while all international flows and particularly in the leisure segments remained closed.

Since early July, the European markets are showing more positive dynamics. We saw market in Europe resuming, but with some local lockdowns being managed, and in particular, in the last 2 days in Spain. This implies a soft demand in all domestic markets for leisure segments, while the international tourist flows from U.S. and Asia are definitively down for the rest of the summer season.

This chart is, for us, a good illustration on how strong and deep has been the impact of the COVID in our group volumes and how slow the recovery is. The uncertainties about the outbreak situation, the potential quarantines across geographies are preventing the vast majority of customers in leisure to schedule travels, and when decision to travel is made, the lead time of reservation is shortening a lot, providing limited visibility about real demand ahead of us.

Please turn to Page 7. So this slide speaks for itself and is illustrating the severe drop in the airlines capacity as of today. We saw a destination drop in volumes with a direct impact on us and our healthy leisure pool of profit ahead of Q3.

Please turn to Page 8. A few insights on our business impact. Regarding the metrics in our business, you can measure here the impact of our -- in our reservation and the current trends we are facing in our reservation systems. The car rental Google search keywords are over 1/3 inferior to last year at the end of this month. The traffic on our direct e-com platforms are showing better recovery, sign of leisure volume progress, but the bookings are still lagging behind.

If last year's booking can be seen as improving since the last days and weeks, we are nevertheless facing an unprecedented lack of visibility for the next coming weeks, which is a complete change versus our prior year in the leisure segment. In the meantime, the corporate business trends recovery remains to be analyzed for the year-end period, market by market, even if our teams have been very active and successful in gaining new B2B accounts.

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Please turn now to Page 9. So as you have understood, we are facing a change in timing in our business compared to the last decade, and we are working on how to transform the short-term uncertainties into midterm opportunities. Market behavior are changing fast, with a steep decrease of the travel and leisure segments and with shift towards our domestic markets, implying changes in our business fleet distribution from airport to non-airport locations, for example, and changes pricing development.

In the meantime, a general focus on more responsible and sustainable way of consuming will lead to more shared mobility solutions and cleaner fits requirements, which will translate progressively to more EV vehicles to be managed in our operations.

Customers' needs have already evolved with no point to go back to any previous situation. The need for safe and sanitized travel experience is the new standard, while contactless and progressively deskless, stationless experience and services will become the new operating model of our industry. This will require simplification of our services offers and progressive full digitization of our service and operation.

To cope with this impactful business trends, which are, as a matter of fact, an acceleration of what we were already foreseeing for our industry, we have adapted and prepared for an acceleration, our transformation, with a setup of 2 programs, Reboot & Connect, to ensure the fast and proper execution of the plan, allowing us to seize new business opportunities in the near future.

Please turn to Page 10. As already discussed during our shareholder meeting, Reboot is our internal program to adapt our group to the current situation and manage 2020 uncertainties. We are relying on our group assets to mitigate the current impact of the crisis. First, thanks to our domestic networks, we are able to progressively reposition business from airports to local demand with tactical developments depending on each of our markets.

You will see later Luc explaining to you that we have been notably particularly effective with our van and truck segments in every geographies, while our commercial teams continue to deploy new local services around the midterm services, meeting customer expectations. This is very well as -- this is very true as well for our proximity business. The recovery on our Urban Mobility business during June when opening the service showed vigorous demand in all our open cities showing the shift of customers.

Second, we relied on our flexible buyback fleet model to fast adapt our level of vehicles to the new demand patterns, and we are entering in the second semester with an adequate level of fleet. Following strong actions managed during Q2 and despite clinical lockdown of all operations, we have been able to fully review our fleet planning and our fleet level at the end of June, which is nearly 40% down to this level last year at the same period. This result is really amazing.

And finally, thanks to the strong knowhow and capability of our teams, we have engaged in our top line customer concrete programs while launching massive cost adaptation and cost reduction planning in addition to the one already planned late last year, giving strong priorities to high-return actions. These actions have already proven to be effective in our Q2 cost base and more to come in H2 2020, but more importantly, for the next years, as we are resizing fully the cost base of the group to the new business environment.

Please turn to Page 11. Focus on the revenue part of the Reboot, you can see here how this program is a cornerstone to prepare the future and adapt our products and services to regain customer momentum. We focused our team on the local domestic market and enjoyed a nice momentum and trends in new B2B customer gains in our main perimeters. These gains, along with our existing customer base, will be contiguous and important when activity will restart in those segments by the end of this year.

In addition to this, as I said before, thanks to this domestic footprint, we are particularly active in the van and truck segments, which is proving the relevance of our strategic loans a few years ago. The same path to growth will be managed to expand our proximity Urban solution offering.

On the offer themselves, safety and flexibility are the new designs we are deploying. Safety for our customers and employees in our operations and networks, which has been steered by our business partnership with Bureau Veritas, flexibility in all our offers to allow and push for the peace of mind of our customers.

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To be able to drive and control the demand patterns, we also started to strongly optimize our distribution channel mix, leveraging our direct-to-brand platforms to offer the best product to our customers.

Please turn to Page 6 -- 12, sorry. On the cost side, you remember, we activated early March a strong and robust cost adaptation program. We are planning to remove approximately EUR 850 million cost during the year 2020. Thanks to fast execution and despite the Q2 lockdown environment, we have been able to uplift our internal targets while continuing to chase for further streamlining of activities in the volatile environment we are operating. Our program is balanced between active alignment of our various cost base to the level of business and a very ambitious and vigorous fixed-base reduction.

On the variable part, an amazing work has been performed by our teams to reduce the fleet by 30% in numbers of vehicles at the end of June compared to June 2019. The full year cost decrease is in line with strong results. I would like to remind you how fast and strong has been the fleet adaptation knowing the physical lockdown of our key geographies during 2 months out of the last 4 months, and this effort of adaptations will continue, obviously, for the rest of the year.

On the fiscal base, we immediately reacted and reached strong results everywhere in the organization. Tactical support coming from furlough measures in most of our territories will be replaced as we move forward in our cost -- in our structural cost reduction and reorganization plans already engaged and to be pursued during Q3.

Both HQ and network will continue to be re-engined, in particular, in the view of our Connect program, accelerating digitization of all our operations and contactless, deskless services. We are continuing to put pressure on cost reduction, obviously, for Q3 and Q4, then the measures taken and to be taken by year-end are significantly reducing the operating breakeven point of our company going forward.

Please go to Page 13. Beyond our business model transformation and in parallel of our cost focus in the beginning of the crisis, we took swift cash management and liquidity preservation measures. We reinforced all our procedures to enhance our cash conversion profile from our non-fleet working capital management to active steering on CapEx and restructuring spend, both managed this year on the sole fast return on investment indicator.

As mentioned at the occasion of our Q1 publication, we also actively managed our liquidity profile and signed several lines of liquidity guaranteed by different states. Our efforts to raise such liquidity lines in other countries are ongoing.

We do consider that the hit on the travel and leisure market during the first semester of 2020 will continue to impact the group's revenue in the months to come. All the assumptions based on the information available today that support our expectations may vary in the coming months with a sensitive scale that could negatively affect the group. In this context of strong uncertainties, the group's current capital structure weighs on its ability to ensure a proper path to recovery. We are, therefore, evaluating our short- and long-term alternatives to address our capital structure and liquidity constraints with a view to providing sufficient financial resources to adapt the group to the new environment. In that context -- the current context through uncertain contacts, we know certainties about the different associated options.

I leave now the floor for Luc for the financial results of H1 and H2 guidance, and we'll come back on how we are preparing the future of the group.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Thank you, Caroline. Good afternoon, everybody.

So as scheduled and commented after our Q1 results, Q1 and Q2 revenues have been really tough with a performance of EUR 258 million, 68 -- 69%, sorry decline versus last year on a pro forma basis, meaning that we include folks in the U.S., Finland and Norway in the perimeter since the first of January 2019.

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Naturally, the most affected activities have been in the leisure area, with a strict lockdown policy in most countries and the progressive lift of these measures been made. The recovery is still very progressive. We have very limited international travelers and a more developed focus on domestic travelers. This has naturally strongly affected our car lease activities and low-cost segment, as you can see.

On the corporate side, the key accounts and the SMEs have followed the same trend as the leisure in cars. However, we see some good performance in 2 main areas: midterm contract, an area where we want to grow rental from 1 month to 18 months; car replacement for leasing and insurance companies. In both areas, we enjoy good volumes with long duration. This general increase in duration has also, unfortunately, an impact -- a negative impact on the price per day on the car business unit, in addition to the low development of our pricing strategy following the consolidation of this period.

On the Van BU, we made a good performance during April and continuing to do, showing the resilience of this business and confirming the opportunities to reinforce our investment in this area. This crisis will certainly contribute to accelerate the change in behavior of B2C customers to have more and more goods delivered at home. For vans, we reached EUR 67 million of revenue in Q2, i.e., a decrease of 25% compared to last year, but we have a sharp and quick recovery since April. And I can tell you that the rental days in June were equivalent to the rental days in June 2019.

On Urban Mobility, this crisis stopped the nice momentum we enjoyed in Q1. Most of the activity in car sharing has been stopped in April, but we started since mid-May in most towns at the request of customers and with new conditions: we increased the price and we increased the minimum number of hours. This has not at all penalized recovery, giving some encouraging messages to reinforce the need for this mobility solution. It also enhanced the bridge between the car sharing and the car rental business. The losses in revenue for this business unit were limited to 8% versus last year in June.

On the geographic side, I would say that northern countries have been less impacted, and the recovery is faster due to less strict lockdown measures during the period and a higher part of corporate customers in the mix. Southern countries like Spain, Portugal, Italy, including France, are more impacted by the lockdown and the slow recovery, especially on the leisure segment.

I will turn to Slide 16. As a result, we report EUR 815 million of revenue for H1, a decrease of 44% on a like-for-like basis for H1. The Q2 poor performance is partially mitigated by Q1, which was only helped by the COVID in March. So it led to a minus 10% overall in Q1, where on Q2 at 69%. What is important to note is the very progressive recovery highlighted here -- 73% (sic) [74%] decrease in April, 69% in May, 65% (sic) [63%] in June versus our original road map.

This trend in recovery is the result of 3 elements. First, the lock-in measures were progressively lifted since mid-May, and there are still a lot of buzz going around COVID with new lockdowns, new cases and countries with quarantine measures.

Second topic. Stations, we are 15% still closed to line as much as we can in the cost base to our revenue, especially in the countries where we can still benefit from furlough measures.

And the third point is a reduced level of fleet compared to last year. As highlighted by Caroline, we have a 37% decrease compared to -- in June '20 compared to June 2019, which caps naturally our maximum potential revenue versus last year. But we have a higher -- if we have a higher utilization rate of the fleet, it will generate a higher fall through on corporate EBITDA.

Switch to Slide #17, on the P&L. On the Q2 performance, with -- a certain decrease of 69% in revenue on a pro forma basis for Q2. Our objective has been to reduce and cut costs as much and as fast as we could. It has been a race to push all costs down, starting with the fleet and the variable cost, which represents more than 60 -- 2/3 of our cost base. A big cut has been done on the car side, on the car BU side, including low cost, with a decrease of more than 30% of the fleet versus last year in Q2, namely close to 125,000 cars on a like-for-like basis thanks to our buyback scheme, which showed once again its flexibility. On the van side, we remain close to the same level of fleets with around 39,000 vehicles.

The drop in volume that we experienced has been improved by some renegotiations with OEM to obtain better conditions and better fleet planning. The average position of 270,000 vehicles for the quarter is still very low. It must be noted as well that this situation remains also very contrasted

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between the northern countries where the recovery is present, like in Germany, where we're still in fleet; and the 7 countries where utilization rate remains very low. We even transferred more than 5,000 cars from Spain to Germany and are buying cars to sustain the sharp recovery in this country.

On the rest of the variable costs, we monitored a tight cost-cutting exercise in all country, reviewing all the lines of the P&L and pushed to flex all contracts, even the one bearing a minimum guarantee. When the airport is closed, it's a nonsense to ask for a minimum guarantee while there is no activity. That was the motto.

With all these measures, MAVC for the emerging after variable cost for Q2 is close to breakeven. At close to minus EUR 2 million and at EUR 158 million for H1. Needless to say that it's a sharp reduction versus last year, where the Q2 MAVC was contributing for more than 60% of the H1 MAVC.

On the fixed costs, namely on the network and HQ, a large part is borne by the self cost in all countries where we operate. So we -- of what we looked upon was the further measures to implement all the measures which we were given by the states. More than EUR 27 million were saved in this process. The rest of the savings are coming from rent renegotiation and some expenses which have been put on hold and some job -- and transformation projects.

We achieved a good performance with a cut of 48% decrease both on network cost and HQ costs in Q2. At the end of H1, both buckets of costs of network and HQ remained far below last year level on a like-for-like basis, with respectively, minus 28% and minus 26%. This cost reduction shows a solid performance delivered by all the teams of the company in such a short period of time and in the global context of the pandemic.

At the end, the corporate EBITDA for Q2, including IFRS 16, stands at minus EUR 144 million and at minus EUR 170 million, excluding IFRS 16; and at minus EUR 209 million, including IFRS 16 for H1 and minus EUR 261 million, including -- excluding IFRS 16. I would add that on top of these measures that we put on -- and the focus that we put on the P&L, we also put a strong focus on the cash flow and on the cash to make all the connection between the country and the group on the liquidity level and to put and to implement all the measures which have been granted by the states, especially on the tax and the social charge payments.

I will go on Slide 18. On the fleet side, fleet is a major part of the cost base with more than 30% between the holding cost and the operating cost. Our business model, based on the buyback schemes, our strong relationships with the OEM, our market power, buying more than 400,000 cars in normal years but also our strong know-how to the fleet cars at the right place and the right time, our robust and varied fleet financing structure are really -- are clearly strong assets that showed some efficiency to mitigate the effect of this global crisis.

Unfortunately, given the magnitude and the slow recovery, we are not able to mitigate all the losses of revenue with the savings. However, as you can see on this chart, we communicate to the market at the end of Q1 that we will carry on decreasing the fleet. And you see the fleet decreasing from 257,000 at the end of March to around 225,000 at the end of June, where normally, we grew sharply the fleet to cover the peak leisure season in Q3. This change of plan has been also a strong negotiation with the OEM to apply this new fleet plan for 2020 with very limited in-fleeting.

You can also see the recovery of the utilization rate, which was very low in April at 30% and which is now at 51% in June, showing a strong improvement, but of course, much below last year's figure due to slow recovery in the leisure in the southern countries. Again, each percentage of utilization that we will recover will generate a significant flow-through on corporate activity.

On Slide 19, on the fixed cost, the focus has been really put on the network and HQ cost with 1 major component, the staff costs. In our 2020 initial road map, these costs were representing more in HQ and net costs by representing more than EUR 850 million, with 2/3 made of staff costs. On the network side, we closed 88% of the stations in April, and then it has been a tactical approach per market to reopen progressively where signs of recovery were anticipated.

I mentioned in April, we have closed at 88% in May, 75%, in June at 65%. This has been very progressive to limit the cost structure along the revenue and the restart of the business of these areas. On both areas in HQ and elsewhere, we took advantage naturally of all the further measures to cut these costs. We obtained as a subsidy EUR 27 million from the various states where we operate, and we plan to obtain more than EUR 20 million in H2. On the same ground, we reopened, of course, all the contractual agreements and the rental agreements to obtain 3 payment deferments.

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To finish with, the IT, which is a major cost center in this HQ cost. We refocused all the efforts on the rent and on the key areas of priority like digitalization, especially on the contactless, where it would be a need, a must for the future between the digital customer journey and the station.

All these actions have brought EUR 90 million savings in fixed costs and our target for H2. And I will come back on that. But the next step will be to implement all necessary actions to keep this cost base at the same level for next year. Meaning that we need to transform all exceptional measures on the rent configuration in a structural mode. This cost base has to be our new cost base to support the progressive recovery of the top line in 2021.

Next, Slide 20. What is the picture of the bottom of the P&L? Corporate EBITDA, including IFRS, stands at EUR 209 million. Depreciation and amortization include the depreciation of the rents coming from the network and the HQ due to IFRS 16 were approximately EUR 50 million on top of the normal depreciation at EUR 27 million. Non-rec items are limited in H1 at EUR 20 million, reflecting mainly some costs incurred in Q1 linked to the restructuring plans launched in Q4 2019 and Q1 2020.

Full restructuring plan scheduled and announced in HQ and network has to be put on hold because of the COVID. As far as impairments are concerned, impairment test on goodwill and bonds, no impact has been identified even if headroom have been significantly reduced. Other financial net charges not related to a fleet include the financial part of the split of the rents of HQ and network of IFRS 16 on top of the cost of the financing of the corporate debt.

On the corporate debt, the main reason of the decrease of these financial costs are coming from the refinancing of the corporate bond we arranged in April 2019, which include a one-off of EUR 9 million early termination fee in 2019 and from the refinancing of Fox corporate debt at the time of the purchase in November 2019.

As far as tax is concerned, we are on a limited calculation on tax charge exercise for the half year closing, but we nevertheless updated the deferred tax allowance with a reduction of less than EUR 2 million out of the EUR 23 million we have in stock. The full computation of these numbers gives a net reported loss of EUR 286 million versus EUR 69 million from last year.

Next slide, 21. On the cash side, on the cash generation side, we closed H1 at minus EUR 296 million. On top of the restatement of the lease liabilities for EUR 53 million, 3 key points in this bridge: non-rec are limited to EUR 20 million, as mentioned in the PR review; we reduced all the non-fleet CapEx due to many IT projects put on hold, with a strict prioritization of projects mainly around customer-connected cars, digitization of stations to accelerate the contactless journey, which is a high request from the customers reinforced by the COVID crisis.

We see as well a good performance on the non-fleet working capital with a strong collections campaign to recover receivables, along with the sales team and the finance team, and some successes, as highlighted by the decrease in DSO. It must be noted that usually we have a strong contribution of brokers prepayment in Q2 on the summer bookings. We didn't have this year any prepayment, reflecting the poorer level of bookings going on to this channel, and so the cash will come along during the summer.

Regarding the net corporate debt, the change in net corporate debt. We closed the half year at EUR 1.251 billion versus EUR 880 million at the closing of 2019, a change of EUR 371 million, which is more or less -- half of it on the Q1, half of it in Q2.

I will remind you 3 elements. We were at EUR 1.068 billion at the end of March 2020, meaning that for Q2, our cash burn has been EUR 183 million, with a loss in corporate EBITDA of EUR 170 million. It reflects this slow -- limited difference reflects the good monitoring of the cash issues between the measures of the states in social and tax charges, the non-fleet working capital, the push in cash collection and the reduced non-rec and CapEx spending.

The second topic in this Q2 position, as I mentioned, does not include, as usual, the broadcast prepayment, which normally represent between EUR 50 million and EUR 80 million, and which bring back the level of cash to the breakeven.

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Regarding liquidity, we have increased our facilities in May with the two-stay grantees, which have been granted by the French and the state -- Spanish and the French state for EUR 321 million. On this latter, EUR 51 million of the rents -- the Spanish loan were allocated to fleet financing. So the overall amount that was raised is EUR 271 million plus the EUR 20 million increase on the RCF that we are granted at the time.

Next slide. So what are the views for H2 and the year-end as of today? The 4-month period that -- from March to June have created, as mentioned by Caroline, a big hit on our profitability and in our leisure activity. The teams made a tremendous work to contain these losses, to contain the liquidity impacts with all the cost reduction we commented and the implementation of all tactical measures proposed by the states and all the structural measures like the state guarantee loans.

H2 must be the second half of the game that we must win by achieving a positive corporate EBITDA for this second part. We have taken a cautious view on the top line, as we did with the forecast for Q3, which is limited to 50% of last year pro forma revenue and a fleet size which has been reduced by 40% versus our original road map. These figures integrate limited traffic, some closing of borders, quarantine measures, reducing our target customers to leisure domestic demand. So far, we expect to be in line with our forecast for July, but it must be said that all the news coming from all countries are exacerbating the difficulty of the forecast exercise.

As mentioned by Caroline, we have more and more late bookings, and the lead time has been reduced. However, we see still some resident places, notably in Germany and Nordic countries and on the (inaudible), where we can see some upside on the forecast.

In any event, we need to accelerate and strengthen our cost reduction program on network in HQ in most countries. 2020 tactical measures need to become structural. Given our cash constraints, we have been selective in our adaptation plan with a grid selection based on 3 pillars: What are the savings expected? What are the cost of implementation? And what is the lead time to implement these measures.

Plans have been finalized in the Reboot program announced in July, and the deployment has already started. The objective is to further reduce the cost paid in H2 and to adapt 2021 cost structure to a reduced level of activity. We have to put the company in a positive cash generation profile as apt.

With all the implementation of these measures and a strong focus on cash, our overall expectation for the full year are to improve the H1 corporate EBITDA with a limited impact on cash for the year-end.

And with this, these last words, I pass the floor back to Caroline.

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

So thank you, Luc.

Please go to Page 24. After the straightforward status for the company in 2020. Let's now have a view on what is the next and how to manage it.

You have understood, we are at the new starting point. Our addressable markets have changed a lot. A steep reduction of travel and leisure business and a slow recovery perspective and the shift towards the growing domestic demand, both from individual and professionals, requiring increased local focus. All these while consumers are now aspiring to, we do believe, durably and rightly, environmental and sustainable offers. In parallel, in their day-to-day lives, expectations are raising regarding a safe and contactless experience, deskless customer journey with, on the top of all this, flexible services and simplicity.

What about us? Obviously, lower resources in the short-term, plus a strong need for fast adaptation and transformation to the new context, a reverse somehow to be managed in a new cultural and economical landscapes. To do so, we will rely on our very much valid and even more meaningful today company purpose: Offer attractive alternative mobility solutions to vehicle ownership in a responsible and sustainable way.

So please go to Page 25. On Connect, we run in parallel of our Reboot essential and tactical program, a review of our main midterm opportunities. Relying on our strategic assets and historical framework as well as our purpose, we designed our Connect programs to be an accelerator of our

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transformation, joining the dots between what was already engaged at company level happening recently and the new paradigm we are in. As such, we are redesigning our mobility service offers to match rebalanced customer expectations. We are reshaping our network model and footprint to gain productivity and increase interplay with local ecosystems. And we are integrating a new technology platform to gain agility and digitize customer experience at scale.

Please turn to Page 26. Relying on our customer base knowledge and strong insights about their behaviors, we designed Connect on our own mobility usage, refocusing our offers around 3 main business cases and corresponding service lines: leisure, professional and proximity.

Leisure service line. We are coping with organizational trips, high-churn behaviors being driven mainly by price. Two segments of offer will drive our business, mainstream and low cost, this segment, which will grow at a fast pace following its repositioning.

Professional service line. Qualified planned and contracting business. With long cycles and high stickiness from business travel relying on network coverage and administrative services to fleet services with flexible durations and solutions.

And finally, proximity service line. We see strong development perspective ahead of us, where consumers will ask for on-demand and pay-per-use services, all this based on accessibility, simplicity, flexibility and, most importantly, for our business model, high frequency. We already experienced a good demand level with our existing urban mobility operations, which we are progressively integrating in our country's ecosystem to become leaner, include scales and gain more B2C and B2B customer tractions.

Please go to Page 27. Direct consequence of what I just said, we are shifting from a business unit organization to service lines delivering simplified, integrated and heavily digitized mobility solutions. In the meantime, we keep our business as a business unit as integration of services and offers has less relevance here, given the specificities of this business.

Based on the new framework and building on our internal capabilities, we are targeting to grow our recurring revenue with a better balance between leisure, professional and proximity. In parallel, a better scalability effect will lead to better cost structure absorptions, in particular, in the distribution areas, resulting in a greater and recurring free cash flow generation while reducing earnings volatility.

So please turn to Page 18 (sic) [28.] Our Connect program, which is focusing on customer, will rely on 4 enabling pillars, which were engaged since last year: Fleet, as previously announced by Olivier Baldassari, our CEO, 100% of connected vehicles in 2023. In addition to this, simplification of our fleet mix and increase our AV programs, thanks to our proximity business. Last but not least, 100% of direct access to cars for proximity and in airports in 2023.

Second pillar, the network. Progressive deskless unit in airports with no more payment/selling at station and no more downtown locations, with only delivery and collection and light touch points. Our operating network will be organized as a per-use case operating model: airport, hubs and satellites, regional with a clear footprint differentiation per brand on travel.

Third pillar, all service lines of the tech will be operated by a single IT framework, be it for corporate or franchise businesses.

And finally, talent, culture and organization. To manage our business in a more volatile environment and ensure fast execution, we renewed our group executive setup as well as the lines below with simplification, LEANification and delivering principle in mind. This new organization is already in place. So go-to-market and pace of execution will be our #1 guiding principle and all incentive schemes have been aligned around this.

Please go to the Page 30. Here, we can discuss a lot about midterm prospects but with no certainties. What we know for sure is that the travel and leisure industry, following the airline forecast, won't be back to its pre-COVID level any time soon.

On Page 31, in this environment, our sole focus will be to deploy our Connect road map, putting all our energy in leading the performance for the service lines while accelerating our transformation. We think with no certainties that we should be back to our 2019 level of activity, pro forma for acquisitions in the next 3 to 4 years.

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As a conclusion and before going to your questions, I want to personally, and on behalf of the management board, pay tribute to our teams and thank them warmly. At all levels within our organization, from bottom to top, in station and in HQs, everyone has demonstrated an extraordinary level of engagement and commitment, fighting day in and day out for the revenue and cost reduction.

With such strong support from our people, we are confident in our capacity to come out of the crisis in a good position to play a key role in the recovery of the travel and leisure industry in the coming years.

So with that, we hand over to the operator for the questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will now take our first question from [John Maletis] of Millennium.

Unidentified Analyst

Thank you for those details. First, can you please confirm, if possible, the cash position as of today or the recent cash position?

Secondly, can you please indicate if, in your own internal modeling, you expect to have sufficient liquidity in the short -- in the short term?

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

I didn't get the second question.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Can you repeat the question, please?

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

The second one, which we are not clear, please?

Unidentified Analyst

Sure. The second question is, in your own -- given your own internal modeling, do you anticipate to have sufficient liquidity in the short-term to meet your obligations?

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

Luc?

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

On the first one?

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Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

The cash position.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Okay. End of H1. End of H1, the cash position is at EUR 160 million, which is some free cash coming from the state guarantee loans and the RCF. And from our internal modeling with the level I indicated during my presentation between the Q3, cautious revenue and the fleet and the increase -- on the acceleration of the cost-cutting program that we're implementing, we are able to sustain the recovery and to restart for properly in 2021.

Unidentified Analyst

So again, just to be clear, the cash position I was asking, if possible, today, I can read the number in the balance sheet? And secondly, just to clarify, can you comment on the cash modeling going forward. Are you trying to say that you anticipate to have sufficient liquidity to meet your obligations as you recover in the short term?

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Yes. As we mentioned, we implemented a lot of programs. We are cautious on the top line, first, and we implemented a lot of cost reduction program to preserve cash and to secure the liquidity. So we are still -- we have all the plans, all the liquidity, the cash, the state guarantee loans which are in place. There are still some negotiations. We're going on with some state guarantee loans, namely in Italy and in Germany to reinforce this liquidity. But this plan is to secure the good agility to face the current situation and to allow to resume -- to progressively resume its activity post COVID 2019.

Unidentified Analyst

I appreciate that. But just to be clear. If you do not receive further liquidity support from government or other sources, does your internal model suggest you have enough cash?

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

The internal modeling suggests that -- I repeat, sorry, but the internal modeling suggests that with the hypothesis I gave to you in my presentation about the revenue, the fleet decrease, the acceleration of the cost-cutting measures that we implement for this year and for 2021, internal modeling shows that we are able to sustain this crisis. All the credit lines that we would be able to raise will, of course, reinforce our liquidity position to restart productively the activity. But it will be on top. But with the current position that we have, we are able to sustain this.

Operator

We can now take our next question from Peter Jurik of Tresidor Investment Management.

Peter Jurik

I would just have 3. The first one is, could you please confirm the current LTV of the OpCo? And additionally, it sounds like you are looking to sequentially still shrink the fleet a little bit more. So given the LTV and that shrinkage, how much equity do you think you can release from the OpCo into the holdco? That's the first question.

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The second question is it looks like at the holdco, you have about EUR 370 million cash and cash equivalents as per your capital structure at the end of your presentation. Can you confirm that, that is fully available and there's no trapped cash or limitations associated to that?

And then the last question I would have is, I guess it's a clarification of some of your comments in this presentation, and then the reporting overnight from Reuters around there being a deadline by September for you guys then to potentially look to start some negotiations with your creditors to do a haircut or anything like that. Can you please confirm or deny that speculation? As per the previous comments, it seems you would deny that, but can you please confirm that?

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

But I will take the last question, and Luc will answer to the other lines. We don't confirm nothing because this is a rumor from whatever -- from Reuters, which came as a surprise to us. So nothing to add regarding the specific, what I call a rumor. And I don't understand what is the deadline, and I don't understand what is the point.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Okay. So I will answer the 2 questions. The first one is on LTV. The LTV is at 95% by the end of June on the securitization. And on the cash available, I said that on the cash side, we have some cash, which is put on the balance sheet. But some of it is restricted cash. Some of it as well needs to be sustained in countries so it can be considered as trapped cash for covenant reasons or whatever. And so -- the amount, which is available at the end of June is EUR 160 million. Fully available. We still have some headroom that we need to work on this trapped cash, whatever. But today is EUR 160 million.

Peter Jurik

Okay. And if I could just confirm the answer to the third question. That sounded like a denial to having a plan to discuss anything with your creditors later on this year. Is that right?

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

So I keep the point that I don't comment the rumors which are raised by Bloomberg or whatever, other people. What we said during the presentation -- what I said during the presentation is that we are considering that we need to address all the long-term and short-term alternatives to manage our capital structure and liquidity constraints with the view to provide sufficient financial resources to adapt the group to the new environment. So we stick with these comments, we are focusing on strict cost cash and cash management, and this is the way we are preparing the future.

Peter Jurik

Okay. But I guess, just to confirm -- within the interpretation of that comment is quite broad. It can mean an equity raise. It can mean additional debt that's guaranteed by states, as you state that you're in current negotiations for. It can mean a sale, et cetera, but can it also mean that you're being...

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

As I say, we are running the group in a COVID situation, and we are evaluating all our short-term and long-term alternatives to address our capital structure and liquidity requirements. So I cannot be broader than that. It means that we are contemplating all the possibilities for the company, as we have done since the last 4 months, when we have had to go to the French states, for the French state guarantee. The same was true for the Spanish lines, and the same is true in ongoing negotiation in other perimeters.

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Operator

We can now take our next question from Felix Schlueter of Goldman Sachs.

Felix Schlueter - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Yes. I mean, you answered already most of them. But just if you talk about potential incremental help from other governments, like Germany, what states are you in, in terms of time line discussions, if you can disclose anything?

And then the second one, just if we look at the nonfleet working capital, there was an inflow for the first semester. What's your expectations for the full year and sort of will it be an inflow or outlook for corporate cash?

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

For instance, for time in the negotiations, we started with mainly with Italy and Germany. And I think that we should be able to close, as the Italian case, by the end -- some of it because it will be a bank-by-bank negotiation. Everything will be closed by the year-end, for sure. And some of it will be closed by Q -- by the end of Q3. That's for the Italian case. Germany is probably Q3. I think that we should be able to close something in Q3.

And as far as the nonfleet working capital is concerned, we had an improvement at the end of H1, and we still believe that we can still have a positive inflow in terms of nonfleet working capital for the rest of the year.

Felix Schlueter - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

And maybe just one quick follow-up. As we think about the size of potential government aid, is it fair to just connect it a bit to the revenues that you incur in the country? So if Germany decides to give you some more liquidity, it could be more than Spain given that your presence in that country is just larger?

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

We could have more probably coming from these countries. On the other hand, we are kept by the -- we have a limit in terms of corporate debt that we can raise. And -- but we can allocate the rest of the debt to the fleet financing. So we still -- we can probably increase the level of this state guarantee by EUR 30 million on the corporate side, and the rest that we will -- that we raised will be allocated to our fleet.

Operator

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

Harald Christiaan Hendrikse - *Morgan Stanley, Research Division - MD*

Luc, maybe one for you, if you don't mind. Just a few operational ones that maybe you can talk us a little bit more through some of the assumptions that you're making for the second half of the year. I don't know if you want to go specifically through Q3 and Q4. But we're probably finding it as difficult to model, particularly Q3, as you're finding it internally. So maybe you can take us through some of the key assumptions and utilization, revenue per day, fleet cost per vehicle?

And specifically on those two, a quick question RPD. Given the big drops in RPD that we've seen in the first half of the year, can that recover before utilization recovers? Or should we continue to model a much lower level of pricing. And ditto, can you just give us a little bit of an idea on the fleet

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cost per vehicle that you're expecting and why it has risen quite as much as a current effect, that's a lot to do with the shift in business that you've seeing.

And I'm sorry, last question, but slightly, just again, back to the net debt. As a management team, where do you think you would be comfortable to manage this business in terms of the balance sheet? Obviously, COVID-19 wasn't how you planned for 2020, but the net debt level was already very high. Would you be comfortable running this business still with $1 billion of net debt? Or do you think it needs to be reduced below that?

Sorry, a lot questions, but thank you so much for taking them.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

So I can answer on the Q3 because I gave some information during my presentation. I think that I said in terms of modeling, we took a cautious view of bringing the revenue at least 50% less than the last year pro forma basis. So it's -- and that we will decrease the fleet, and that's what we did already by 40% versus last year on pro forma.

And on top of that, that we will stay at least at the same level of fixed cost that we are today and even probably looking to decrease a bit more this cost for the rest of the year and for 2021.

As far as going to do -- going in more details about pricing, per day, volume or whatever, for timing, I think it's very, very difficult because I think the visibility that we have on the bookings are very, very low. We see, and it's very contrasted region by region.

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

In fact, Harald -- this is Carol. The pricing model with the crisis has been totally changed. As you mentioned, in H1, we were facing in the normal course of business, a sharp price increase starting from Easter on the leisure developments. The pool of profit of leisure disappeared because there was no leisure at all. So in fact, you have several mix of issues. We do believe in the summer, the pricing will go at an healthy manner. The real key question for us is the duration because we see also an increase of the duration and there will be an area that we are controlling heavily, which will be how we run the month of September to see what will be the final results.

So as mentioned by Luc, we have taken cautious view everywhere because we are running a business nowadays in totally brand-new circumstances by channel distribution. So those 2 domestic markets and consumption behaviors, which are dramatically different. So that's why we are continuing to put pressure heavily on the cost side, is -- but not only fleet. And what is important also for us is to go on the channel distribution and all the cost of the company to be sure that we are lowering the breakeven points month after month to discover this year, and we think this year is very specific, what will be the pricing patterns that are brand-new for everyone.

Next year, should COVID stop the flows, we will see that we will come back to a more normal pricing development. And in addition to that, what is important to know is that everybody will not be caught by surprise, so we will enter the year with a normal resize fleet.

So this is really how to cope with uncertainties now, being very cautious in all our -- in our schedules and having limited visibility, except a month after month.

Harald Christiaan Hendrikse - *Morgan Stanley, Research Division - MD*

At the cash question. I mean as a management team -- and I understand you're looking at all options, and that makes sense, and I fully understand you don't want to talk about those options. But I mean, as a management team, is it fair to ask you the question, where would you be comfortable given the new scope of the business?

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And I fully understand the volatility and the uncertainty you have, but where would you be comfortable with the balance sheet relative to where it is today? And in particular, again, should we be comfortable that you will be able to maintain the balance sheet now for the rest of the year?

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

Right. We have said that for the given circumstances, if we think we are, as we schedule from today, we are comfortable by year-end. Comfortable means that we are comfortable to run the company. I'm not saying that the level of debt, that equates to the new setup. We are in a situation that with the assumptions we are making today, we are running the story in this way.

Now we have to review all the options to manage this balance sheet and the liquidity profile, going forward very seriously, to be sure that we are managing the new situation with the new size of the group in the new context of the market.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

What we say when, when we close 2019, we closed at EUR 880 million. If you remember, the leverage was 3.2. We said that for this year, on a normal way, we should expect it to increase this level of this average to 2.8 and the year after to be back on, I would say, between 2 and 2.5.

So we were able to manage the business, and we are -- we knew that with the cash flow for Q1, we would have been in the region of EUR 1 billion. But we were -- we knew as well that we would have been able to decrease the debt with the cash flow. Now that the size of the company has changed, it's a different story. That's something that we have to bear in mind. As mentioned by Caroline, for the year-end, we are able to manage the business. We have the liquidity, but the debt is heavy. That's true.

Operator

(Operator Instructions) We can now take our next question from Sarth Patel of JPMorgan.

Sarth J. Patel - *JPMorgan Chase & Co, Research Division - Analyst*

This is Sarth from JPMorgan. I just have one follow-up question. On the 50% down in Q3 that you're looking at, could you just give us some additional color on that 50% that you're looking at? You've mentioned that the exit rate on the vans and truck business was flat at the end of June, you had probability up 18% in June. So just if you could give some idea about all the exit rate for the cars business, and what are you seeing, something in July? Just some color that would be really helpful to understand the 50% that you're looking at.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Yes, it's really difficult to say and to really express a mix. We will see that on the van and truck. Of course, we see the business, which is resilient. We see that the volume that we had in June was more or less equivalent, even equivalent to the one we had in June last year. So the business is coming back. But we note as well that Q3 is really a leisure quarter.

So what we expect is that with the level of fleet that we have with a 30% decrease that we operate in the fleet, it would have a good, I would say, utilization rate and to be able to maximize. And what we expect from that to have a 50% of the revenue from last year that we put on the P&L.

To make the breakdown between the leisure, the corporate and leisure and the rest, it's too early to say. But this is the figure that we have on our forecast and that we built with our colleagues from the countries and the views.

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Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

The business mix has dramatically changed. As a geography mix is changing a lot because as we mentioned, the German perimeter is in a healthier position, obviously. And the Nordics position are in a better position on the business. The southern countries are suffering from lack of business, leisure demand. So what we did is that we have the detail by areas, but leisure drop is significant. Business is resuming, and van and trucks is going in the resilience. Now by geography, the situation varies dramatically.

Operator

We can now take our next question from Patrick Jousseaume of Societe Generale.

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

So some question. On the debt -- on the cash, you mentioned EUR 160 million. How would you go from the EUR 452 million that is in the slide on Page 43 to this EUR 160 million? That is my first question.

And my second question regarding the revenues that you model internally for 2020. Based on what you say regarding the cost base, it seems that we expect something between EUR 1.9 billion and EUR 1.95 billion for the current year. Could you confirm that the stake of (inaudible) that you retain in modeling?

And finally, could you confirm that -- it seems quite clear on Slide 43, that we have no corporate maturities before 2023.

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

Your second question, Patrick, was on the level of revenues, that's correct?

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

Yes, absolutely.

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

Yes. I confirm, we are -- we have -- you have seen that we have not, on purpose, provided any guidance on the full year H2 revenue profile. We see your number could be correct, but what is important for us is we, as a business, with a level of good profitability. So we are really at a low level compared to last year. Luc mentioned the 50%. It may be more, it may be less. The real question is how we adapt the cost structure to that level of business as fast as possible with a strong de-fleeting wherever we have to continue for the de-fleeting. And to be sure that whatever is the level of revenue, we are able to reach this positive EBITDA level for H2.

I must admit that the visibility is pretty low. That's why we are continuing to increase the reducing of the cost. Should we have a good surprise on the top line -- we will have probably a better surprise on the top line and an EBITDA. But we don't factor it as of today. We will see after September this year, what will be the real footprint.

At the end of the day, people come late in vacation. So we do feel -- view from today that the summer will be soft. But September may be a little bit better depending on the reports of many travels. So it means that the seasonality of the business itself has dramatically evolved.

In addition to that, the international business flows and the national leisure flows have vanished. We have no view on the recoverability of them. So that's why we are scheduling limited to no level of those ones. So our views are reasonably cautious, should we have no new COVID impact.

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Should we have a new COVID impact, all what we are telling you is probably not appropriate anymore. And all the assumptions are based on what we know today with no -- no severe way, too, but only limited -- limited lockdown, as they are supposed to be done today by cities. If this trend is changing, obviously, the situation will continue to remain complex.

On the balance sheet, I think that Luc can answer, but we have no major corporate deadline for the next 12 months? That's correct, Luc?

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

That's correct.

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

And I'll let Luc come back on the other question you asked regarding the detailed cash question.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Yes, on the balance sheet, Patrick, you have EUR 452 million on the short-term investment in cash. So from there on, you have EUR 90 million more or less of restricted cash and investment, mainly linked to the insurance captive that we operate, and EUR 200 million, which are not really fully tracked, but put in the countries. So it's -- in some cases, it's difficult to get the money back because there are some covenants, local constraints that we have. But -- so overall, it's EUR 160 million which is totally free, probably more to get on the country, but on a limited way.

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

And then you -- I mean, based on your corporate EBITDA assumption for the second half, I mean, a positive one. You expect net debt -- corporate net debt at the end of the year to be lower than at the end of H1.

Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

No, we believe that it will be a little bit higher in terms of cash management. We had some postponements, I would say, that was agreed with the states of our suppliers to have some spread of the debt on H2. So we have probably more debt on H2.

Operator

And this will conclude today's question-and-answer session. I'd like to turn it back to today's speakers for any additional or closing remarks.

Caroline Parot - *Europcar Mobility Group S.A. - Chairwoman of Management Board & CEO*

Thank you. So thank you all to attend this call.

We appreciate the situation is seen as complex due to the business environment, the low visibility we are facing. The management team since 4 months in a row, as you have seen, has adapted the business structure, the cost structure of the company. We continue to work hard on that view. The business will resume probably more in 2021. So this year is a year of adaptation, fast adaptation, fast cost control. The liquidity is our key priority and the cash generation or cash preservation is our key priority. And we will, anyway, evaluating all our long-term and short-term alternatives to be sure that we address the capital structure and the liquidity concerns to protect the company. So this is really what we are doing. Thank you.

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Luc Péligry - *Europcar Mobility Group S.A. - Group CFO*

Thank you. Thank you, everybody.

Operator

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

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