Corporate News

Baden-Baden

April 2, 2019

The year starts off successfully with robust new business in the first quarter of 2019

- Increase of 22.1% in new business at the GRENKE Group in the first quarter of 2019
- Core leasing markets show strong growth
- Cell division strategy continued

Baden-Baden, April 2, 2019: The GRENKE Group continued to grow and generated strong new business again in the first quarter of 2019. New business at GRENKE Group Leasing – defined as the total acquisition costs of newly purchased leased assets – increased by 22.0% year-on-year to EUR 670.3 million (3M-2018: EUR 549.2 million). New business at GRENKE Group Factoring also recorded gratifying growth with the total volume of purchased receivables at EUR 142.4 million, representing a 21.8% increase over the previous year (3M-2018: EUR 116.8 million).

"New business development in the first three months of 2019 exceeded our expectations. This positive start to the year is essential for achieving our targets in the reporting year. We are very confident that we will be able to fully deliver on our Company's promise of "Fast. Forward. Finance" in the further course of the year with holistic solutions for leasing, factoring and banking", explains Antje Leminsky, Chair of the Board of Directors of GRENKE AG, in her comments on the success of the first quarter.

The contribution margin 2 (CM2) in the Leasing segment amounted to EUR 111.2 million after EUR 97.1 million in the first three months of the previous fiscal year. This level is equivalent to a CM2 margin of 16.6% compared to 17.7% in the same period last year. In the prior quarter (Q4/2018), the CM2 margin was 17.0%. The Leasing segment's CM1 margin (contribution margin 1 at acquisition values) stood at 12.0%, for a total of EUR 80.7 million (3M-2018: 12.7% and EUR 69.5 million).

The number of contracts concluded using our eSignature continued to rise in the first quarter of 2019. This innovative product that enables lease contracts to be processed entirely electronically has already helped conclude a total of 136,485 contracts since its launch in 2015. Our leasing product portfolio also developed well, particularly in terms of its increased diversification since 2017. Since that time, the share of medical devices, small machinery and systems has increased overall as expected from 27.2% to 29.0%.

In terms of our presence in the regional markets, the core leasing markets of France (+19.9%) and Italy (+16.1%) showed strong growth overall. The core market of Germany also achieved a respectable plus of 6.9%, meaning that GRENKE was again able to gain market share in all three markets. Among the other important international markets, Spain particularly stood out with new business growth of 65.4%.

"All of our regions achieved impressive growth in the first quarter, bringing us within our target range for 2019 in our three business segments. The above-average growth outside of Germany, France and Italy resulted in a growing diversification of our regional markets and, therefore, our greater independence from any individual markets. The phasing out of tax benefits in Italy – an important market for us – and the related change in the leasing conditions, led to somewhat lower CM2 margins in the first quarter, as expected, especially in January. Nevertheless, we are confident that we will continue to achieve solid growth rates and be able to stabilise our contribution margin with the completion of the change in conditions occurring over the weeks ahead," explains Sebastian Hirsch, member of the Board of Directors of GRENKE AG.

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As mentioned above, business in Southern Europe was positive overall. The tax exemptions granted by the Italian government for leased equipment under the "super ammortamento" regulation expired at the end of 2018. With the completion of the change in conditions, GRENKE expects the profitability of the new business in Italy to be at the same level as in the previous year, regardless of the current debate surrounding the reintroduction of the "super ammortamento".

As part of the cell division strategy, GRENKE opened one new location in Belgium and one in Canada in the first quarter of 2019. GRENKE is now available for its customers on five continents with 146 locations worldwide. Additional cell divisions are planned in the remainder of the year. GRENKE is also currently preparing to enter the US market by introducing its lease offers as part of a feasibility study.

From January to March, the GRENKE Group recorded a total of 158,369 lease applications (134,481 thereof were international), from which 74,760 new lease contracts (62,623 thereof were international) were concluded. The mean acquisition value per lease amounted to EUR 8,965 (3M-2018: EUR 8,441), which was slightly higher than in the prior year but still at a level that is customary for the business.

The conversion rate (applications into contracts) in the GRENKE Group (Leasing segment) was 47%. Also in our international markets, we converted 47% of applications into contracts. This is lower than the 51% we achieved in the DACH region.

GRENKE increased its new business volume in the Factoring segment by 21.8% to EUR 142.4 million (3M-2018: EUR 116.8 million). The gross margin on new business volume in Germany of EUR 41.2 million remained at a high level of 1.64% (3M-2018: 1.60%). In international markets, the gross margin on new business volume of EUR 101.2 million was 1.09% (3M-2018: 1.26%). This margin is based on the average period of a factoring transaction of approx. 28 days in Germany (3M-2018: approx. 28 days) and approx. 43 days on an international level (3M-2018: approx. 40 days).

GRENKE Bank once again reported a pleasing increase of 30.4% in the lending business for small and medium-sized enterprises. In absolute terms, the volume as per March 31, 2019 amounted to EUR 11.8 million after EUR 9.0 million in the previous year. Deposits increased by 25.4% and amounted to EUR 723.1 million compared to EUR 576.6 million in the previous year.

GRENKE also repositioned its brand in the first quarter. With the new brand promise "Fast. Forward. Finance," the Company is bringing customer-centred added value even further to the forefront. Partners and customers should see even greater benefits than before from GRENKE's solutions.

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Overview of new business development (in EUR millions, previous year's figures have been adjusted)

	3M-2019	3M-2018	Change in %
New business GRENKE Group Leasing	670.3	549.2	22.0
- of which international	515.5	412.1	25.1
- of which Franchise international	18.8	11.4	65.6
- of which DACH*	136.0	125.8	8.1
Western Europe (without DACH)*	186.7	152.1	22.8
Southern Europe*	212.7	171.7	23.9
Northern/Eastern Europe*	108.3	84.4	28.3
Other regions*	26.6	15.2	74.5
New business GRENKE Group Factoring	142.4	116.8	21.8
- of which Germany	41.2	43.6	- 5.5
- of which international	36.9	35.1	4.9
- of which Franchise international	64.3	38.1	68.7

	3M-2019	3M-2018	Change in %
GRENKE Bank			
Deposits	723.1	576.6	25.4
New business SME lending business	11.8	9.0	30.4
Contribution margin 2 (CM2) of new business			
GRENKE Group Leasing	111.2	97.1	14.5
- of which international	88.1	76.8	14.7
- of which Franchise international	3.9	2.4	61.6
- of which DACH*	19.2	17.9	7.5
Western Europe (without DACH)*	32.7	27.2	20.5
Southern Europe*	33.7	33.2	1.7
Northern/Eastern Europe*	20.0	15.6	27.6
Other regions*	5.6	3.3	72.1

* Regions: DACH: Germany, Austria, Switzerland
Western Europe (without DACH): Belgium, France, Luxembourg, the Netherlands
Southern Europe: Croatia, Italy, Malta, Portugal, Slovenia, Spain
Northern / Eastern Europe: Denmark, Finland, Ireland, Latvia, Norway, Sweden, UK / Czechia, Hungary, Poland, Romania, Slovakia
Other Regions: Australia, Brazil, Canada, Chile, Singapore, Turkey, UAE

The Company will publish its quarterly statement for the first three months of 2019 on May 3, 2019.

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About GRENKE

The GRENKE Group (GRENKE) is a global financing partner for small and medium-sized companies. As a one-stop shop for customers, GRENKE's products range from flexible small-ticket leasing and demand-driven bank products to convenient factoring. Fast and easy processing and personal contact with customers and partners are at the centre of GRENKE's activities.

Founded in 1978 in Baden-Baden, the Company operates in 32 countries and employs more than 1,500 staff worldwide. GRENKE shares are listed in the SDAX on the Frankfurt Stock Exchange (ISIN DE000A161N30).

Further information about GRENKE and its products is available at www.grenke.de.