

CAR 神州租车

2017 Interim Results

Aug 15th, 2017

□ Car rental: **Deliver far beyond 2017 expectations**



Demonstrated **stronger than ever growth momentum** ... **71%** YoY rental days growth in 1H and 79% YoY in 2Q, a record high since 2013 (guidance 40% YoY)



Achieved **record high utilization rate** and **quicker realization of significant upside** ... **69%** in 1H, **14pp** YoY improvement (guidance 5-7pp YOY)



Realized **margin expansion** despite significant price reduction ... EBITDA margin **+4pp** YoY and net margin **+3pp** YoY due to significant operating leverage from scale

□ Fleet rental: **UCAR fleet 30%+ YOY decline**, regulation & business driven



Expedited fleet replacement to accommodate regulatory requirement for vehicles providing ride-hailing services ... 36% YoY revenue decrease



Started to diversify customer base of fleet management ... decided to re-enter into new long-term rental businesses for corporations

□ Used car: Expedited fleet replacement to drive growth and mitigate future residual risks ... headwinds on 1H margins due to disposal loss of legacy models

Growth



71% YoY
Car rental⁽²⁾ volume

31% YoY
Car rental revenue

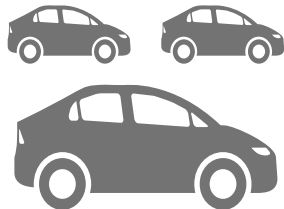
Profitability



59%
Adj. EBITDA margin ⁽¹⁾

13%
Adj. net margin ⁽¹⁾

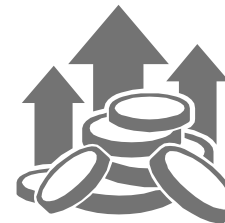
Car rental



69%
Fleet utilization

+14pp YoY

Financial positions



RMB **407** MM
Free cash flow

2.1x
Net debt/adj. EBITDA ⁽¹⁾

Notes:

(1) Adjusted EBITDA, adjusted net profit, and margins exclude the costs relating to the used car B2C pilot program. Adjusted EBITDA is defined as profit or loss before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain/loss, fair value gain from investment in equity shares and redeemable preference shares, fair value gain on derivative instrument-transaction not qualifying as hedges, share of profit/(loss) of an associate; adjusted net profit is defined as profit or loss excluding share-based compensation, foreign exchange gain/loss, fair value gain from investment in equity shares and redeemable preference shares, fair value gain on derivative instrument-transaction not qualifying as hedges, share of profit/(loss) of an associate. Margins are calculated as percentage of rental revenue.

(2) Rental revenue and operating fleet have been reclassified to align with its new development in business natures

1H'17 Financial highlights

(RMB in millions)

	1H'17	1H'16	YoY
Total rental revenue	2,456	2,452	0%
- Car rental ⁽¹⁾	1,739	1,326	31%
- Fleet rental ⁽¹⁾	705	1,100	(36)%
Total revenue	3,612	2,969	22%
Net profit	379	1,062	(64)%
Adj. EBITDA ⁽²⁾	1,449	1,556	(7)%
Margin ⁽⁴⁾	59.0%	63.5%	(4.5)pp
Adj. net profit ⁽³⁾	314	472	(33)%
Margin ⁽⁴⁾	12.8%	19.2%	(6.4)pp
Free cash flow	407	784	(48)%
Basic EPS (RMB)	0.16	0.44	(63)%
	June-17	Dec-16	change
Total assets	20,739	21,189	(2)%
Total debt	11,242	11,682	(4)%
Cash	4,982	5,725	(13)%
Total debt/ LTM Adj. EBITDA	3.8x	3.8x	-
Net debt/ LTM Adj. EBITDA	2.1x	1.9x	0.2x

Note:

(1) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures.

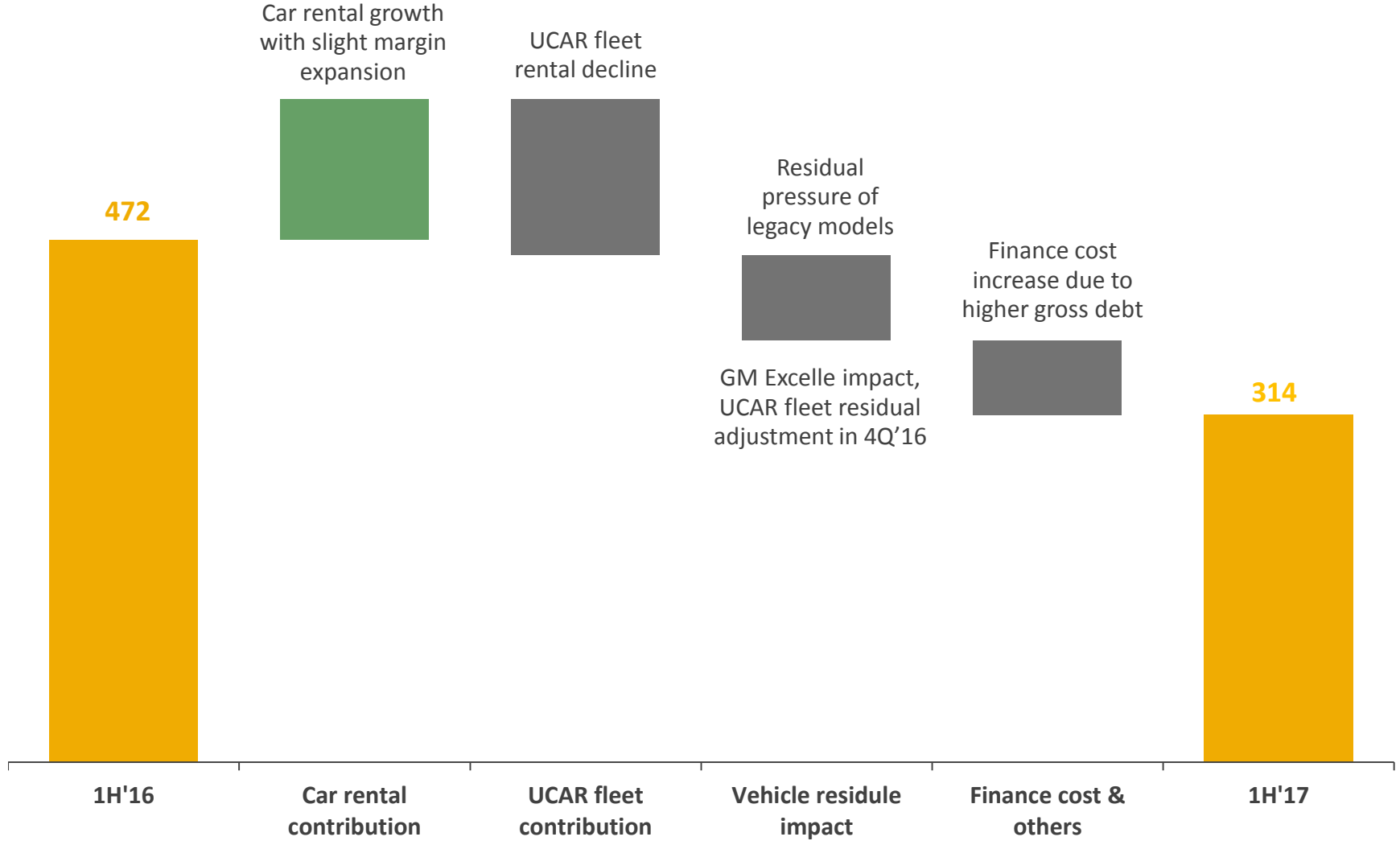
(2) Adjusted EBITDA is defined as profit before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, unrealized foreign exchange gain/loss related to USD denominated liabilities, costs related to B2C pilot program and fair value gain on investment in redeemable preference shares

(3) Adjusted net profit is defined as profit excluding share-based compensation, unrealized foreign exchange gain/loss related to USD denominated liabilities, costs related to B2C pilot program and fair value gain on investment in redeemable preference shares

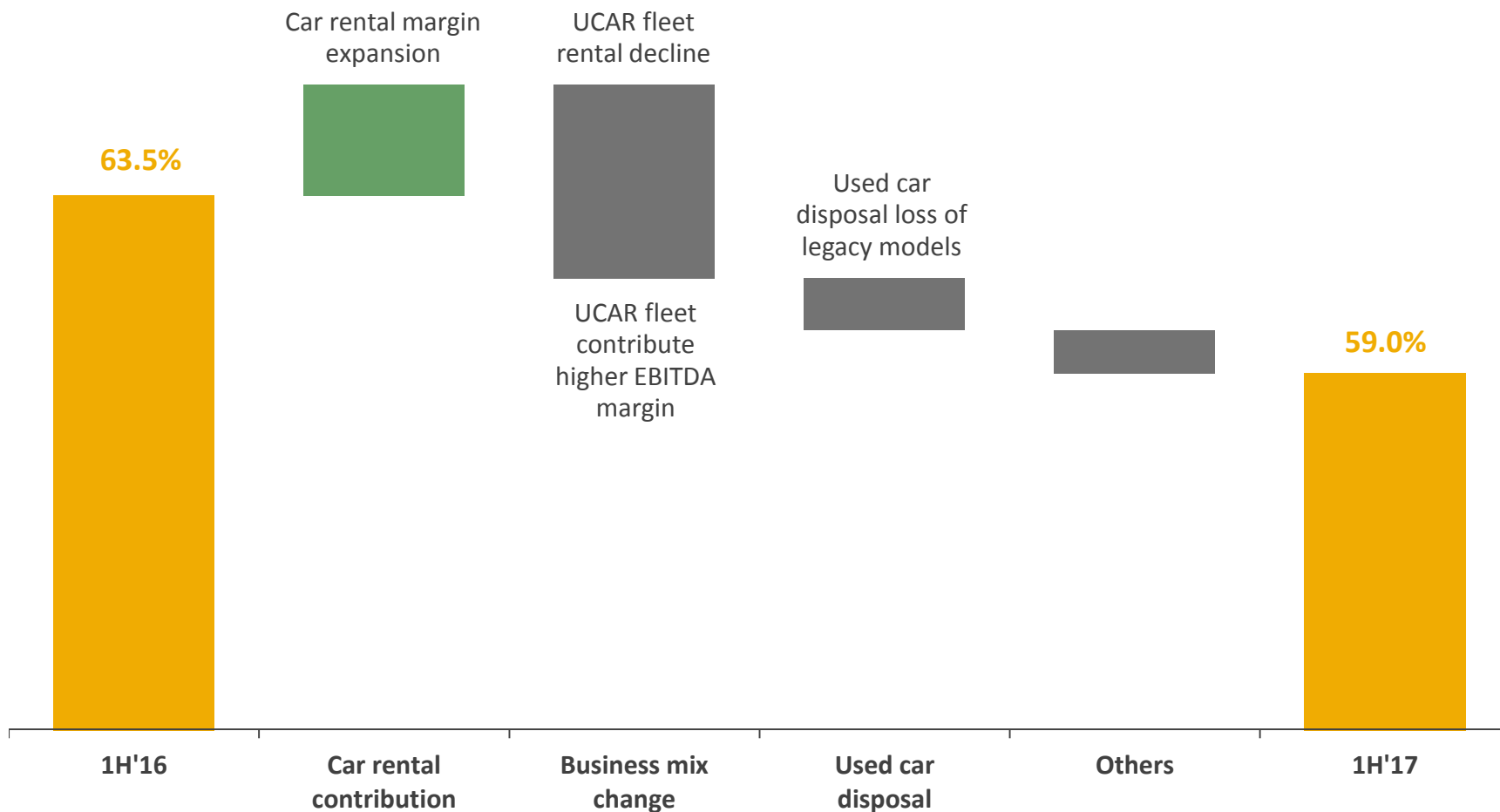
(4) As a percentage of rental revenue

1H'17 Adj. net profit walk

(RMB in millions)

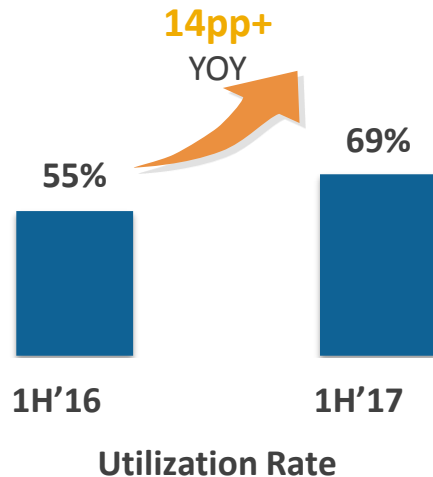
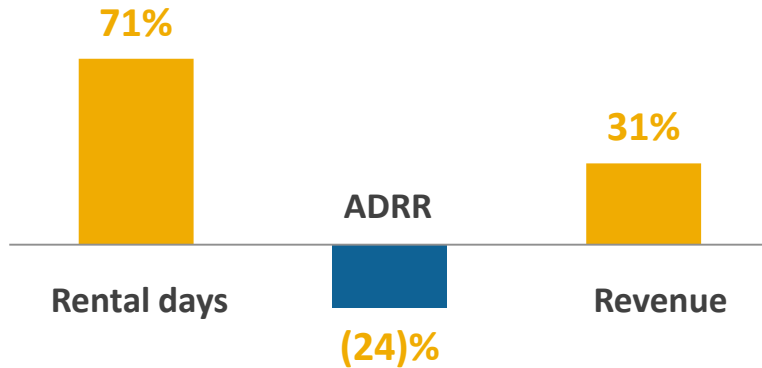


1H'17 Adj. EBITDA margin walk



1H'17 Car rental business: High demand growth with margin expansion

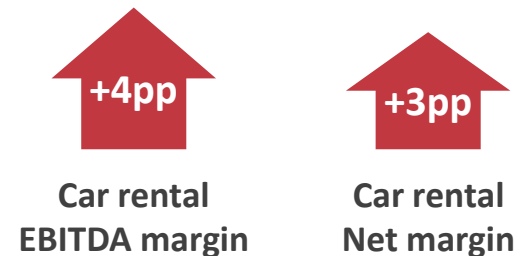
Car rental key metrics YoY



Delivered far beyond 2017FY operational targets (2017 focus on growth & utilization)

- ✓ Rental days growth: 1H 71%, 2Q 79% record high
- ✓ Utilization improvement: 1H 14pp+, 2Q 15pp+
- ✓ Effective pricing strategy, 24% ADRR decrease
- ✓ 5% slight RevPAC decrease, offset by unit cost decrease due to higher operating leverage

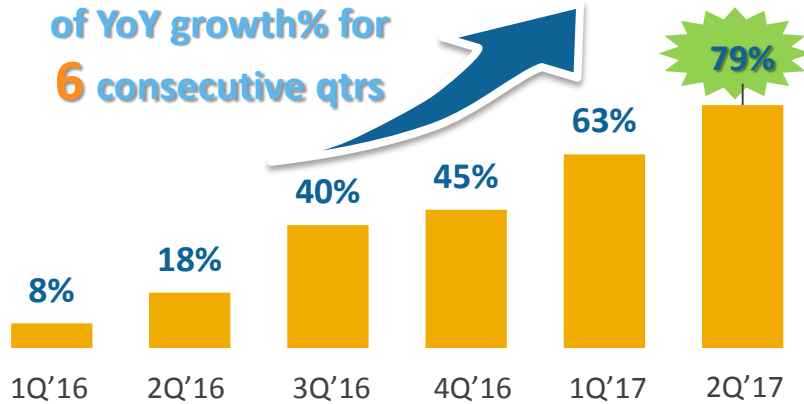
Realized margin expansion due to significant operating leverage from scale



Car rental: consistent strong growth momentum

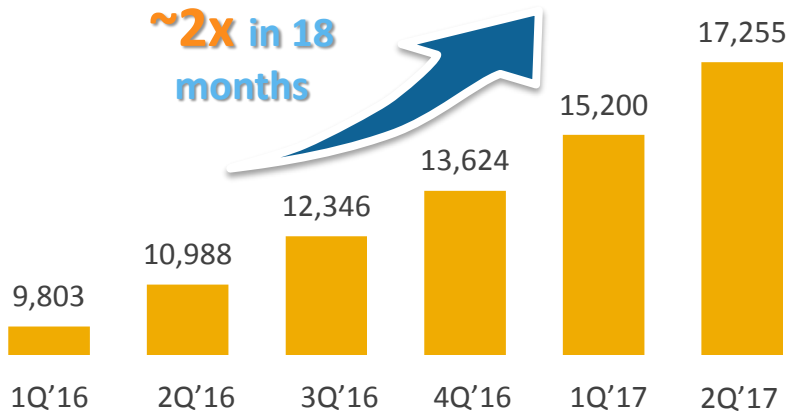
Rental days YoY (%)

Sequential increase of YoY growth% for 6 consecutive qtrs



Registered members (in thousands)

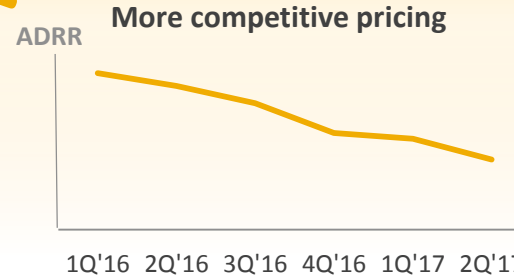
~2x in 18 months



Growth levers



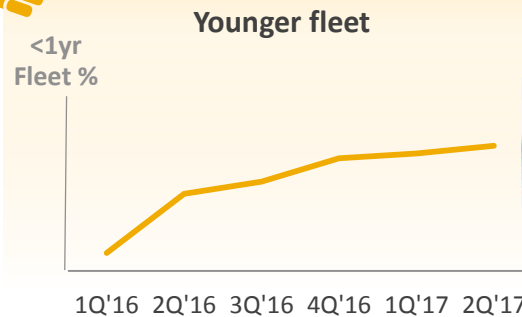
Price lever



Smarter Dynamic Pricing



Fleet optimizer

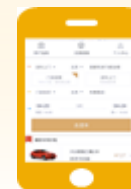


Attractive new models



Rental experience revolution

Counter/staff bypass



Rental on-demand



Car rental: margin expansion despite price deflation

(RMB in millions)

Car rental revenue⁽¹⁾

1H'17

1,739

1H'16

1,326

31%

=

Days

x

Avg. daily fleet⁽²⁾

60,307

43,830

38%

x

RevPAC⁽²⁾

160

169

-5%

=

ADRR⁽³⁾

234

307

-24%

x

Utilization⁽⁴⁾

68.5%

54.9%

+13.6ppt

RevPAC⁽³⁾

174

163

170

149

165

155

1Q'16

2Q'16

3Q'16

4Q'16

1Q'17

2Q'17

ADRR⁽⁴⁾

313

300

282

251

245

223

1Q'16

2Q'16

3Q'16

4Q'16

1Q'17

2Q'17

Utilization⁽⁵⁾

55.4%

54.4%

60.3%

59.3%

67.6%

69.4%

1Q'16

2Q'16

3Q'16

4Q'16

1Q'17

2Q'17

Delivered **margin expansion** despite significant ADRR reduction:

- RevPAC slightly decreased 5%, strong utilization gain offsetting ADRR reduction
- RevPAC break-even point decreased due to strong operating leverage from scale

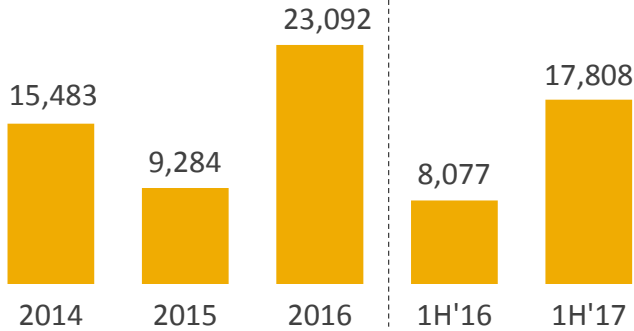
Notes:

(1) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures.
 (2) Average daily fleet is calculated by dividing the aggregate days of car rental vehicles in operation in a given period by the aggregate days of that period
 (3) RevPAC refers to average daily rental revenue per car rental vehicle, which is calculated by multiplying the average daily rental rate in a given period by the fleet utilization rate in that same period
 (4) Average daily rental rate is calculated by dividing car rental revenue in a given period by the fleet rental days in that period. Fleet rental days are the total rental days for all vehicles in car rental fleet in a given period
 (5) Fleet utilization rate is calculated by dividing the aggregate days that vehicles are rented out for car rentals by the aggregate days that car rental vehicles are in operation

Used car disposal

Improved capabilities in used car disposal

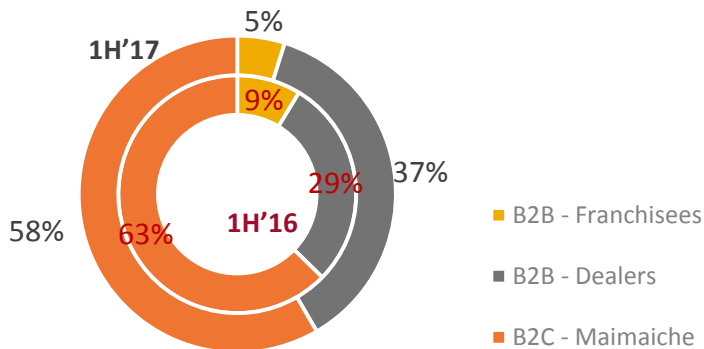
of used vehicles disposed



Avg. selling price (RMB'000)



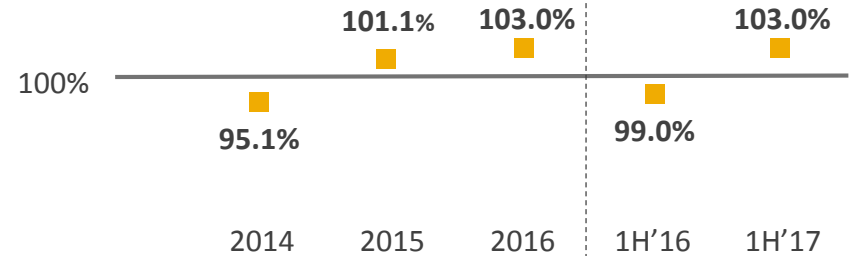
Used car disposal channels



Proven residual risk management

Cost of sales of used vehicles

As % of sales of used vehicles



Depreciation % (of rental revenue)



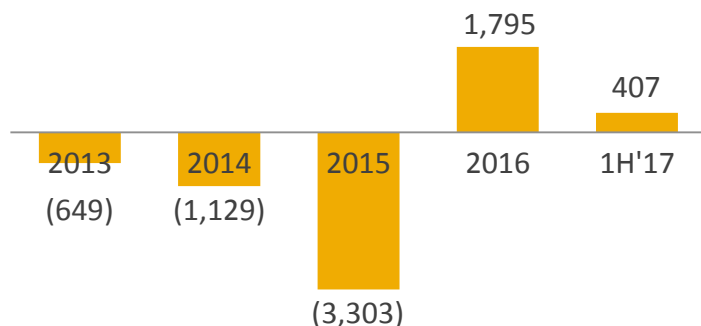
- Expedited vehicle replacement to drive growth and mitigate future residual risks ... 1H loss due to legacy GM model
- Solid residual adjustments of legacy models and UCAR fleet in 2H'16, resulting in 1H'17 depreciation % 1.7pp increase YoY
- Cost to sales ratio constant at 95%-105%
- 2H'17: strengthen the effort of penetrating B2C retail channel through Maimaiche partnership

Strong financial positions

Strong cash generation

(RMB in millions)

Free Cash Flow (FCF)



Cash⁽¹⁾

844

2,476

2,041

5,725

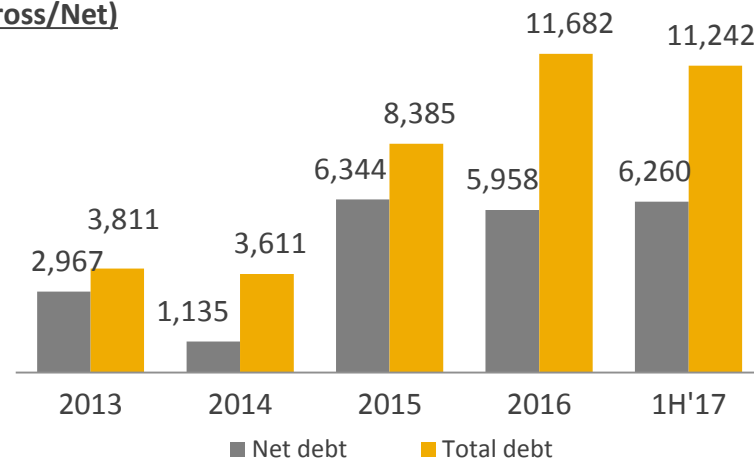
4,982

- ✓ Continue deliver **strong Free Cash Flow** after 2.0B vehicle capex spent
- ✓ Maintain **strong cash position of 4.9B** ... providing liquidity needs for both onshore and offshore
- ✓ Executed share buy-back of HKD662MM

Optimizing funding capability and credit profiles

(RMB in millions)

Debt (Gross/Net)



Net debt/
adj. EBITDA

3.2x

0.7x

2.3x

1.9x

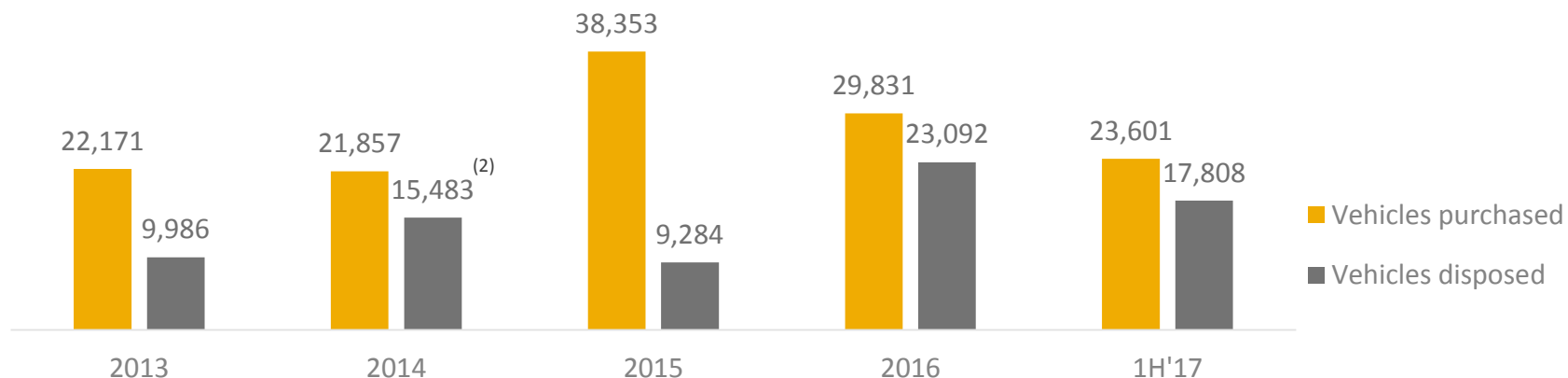
2.1x

- ✓ **Net leverage remained low** due to strong FCF generations
- ✓ Gross debt level remained constant
- ✓ **FX exposure further reduced:** USD630mm hedged

Note:

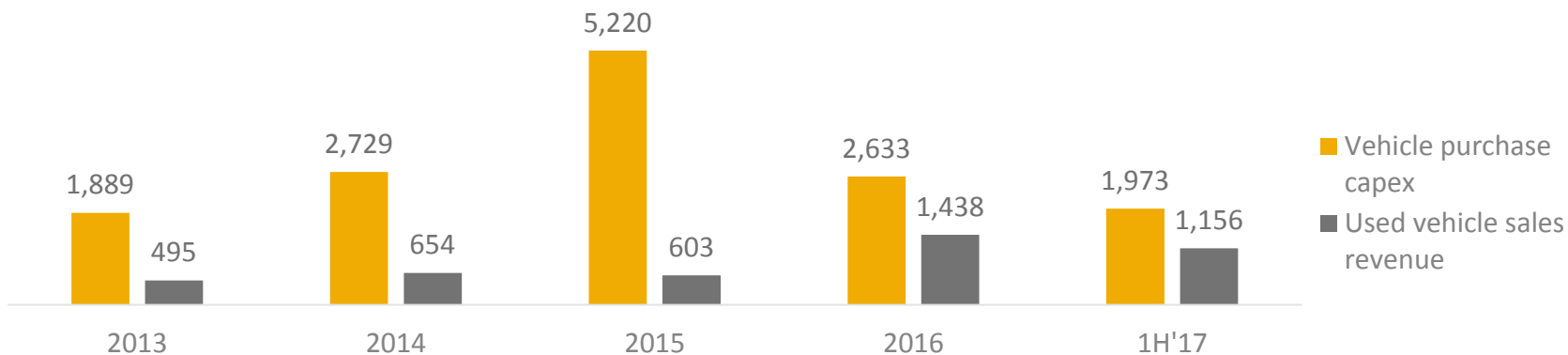
(1) includes restricted cash, available-for-sale investments and cash and cash equivalents

Fleet expansion ⁽¹⁾



Net investment in fleet

(RMB in millions)



Notes:

(1) Fleet expansion does not reflect change in finance leasing fleet

(2) Among 15,483 used vehicles disposed in 2014, 10,185 vehicles were sold while 5,298 vehicles were disposed to franchisees through finance leasing