



**CAR** 神州租车

***CAR Inc.***  
**2018 Interim Results**

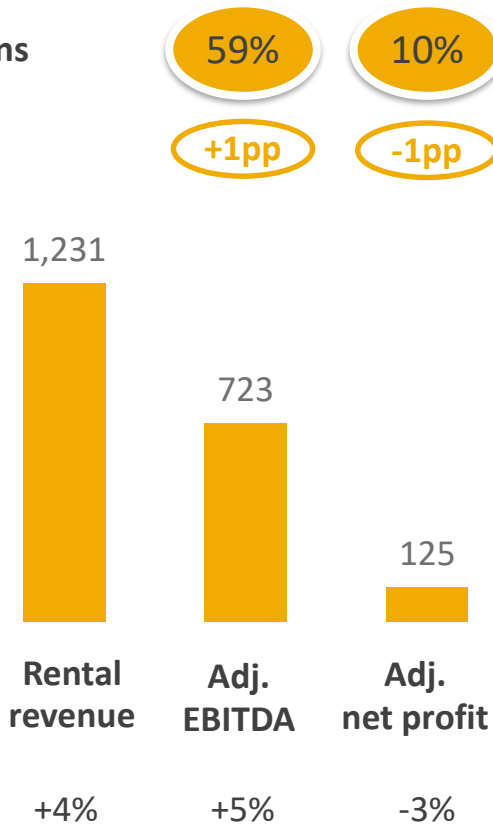
August 14<sup>th</sup>, 2018

# 2Q'18 Highlights

(RMB in millions)

## Margins

YoY



59%

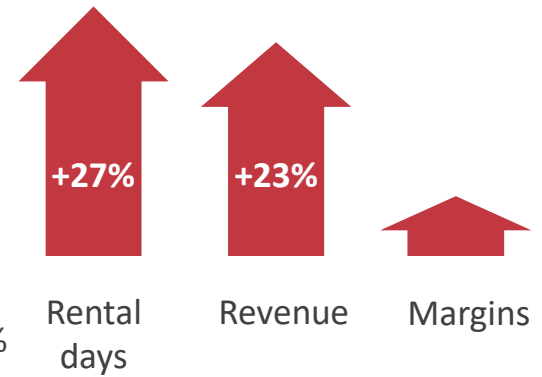
10%

+1pp

-1pp

## Car rental

- ✓ Continue to demonstrate encouraging growth momentum, 27% volume YoY
- ✓ On track for a fully connected fleet nationwide by year-end. 74% economy models was connected by July.
- ✓ Autonomous Rental revolution on track. >2000 new-add self-service points; 30% autonomous transactions in July
- ✓ Car Sharing 36 cities solid presence, 20% new customer conversion into car rental



## Fleet rental / Finance lease

- ✓ Fleet rental revenue decrease 43% YOY, reduced to 15% of rental revenue
- ✓ Headwinds to overall performance continue to reduce
- ✓ New B2C finance lease programs initiated, leveraging UCAR channels

## Growth



**25%** YoY  
Car rental<sup>(2)</sup> volume

**19%** YoY  
Car rental revenue

## Profitability



**61%**  
Adj. EBITDA margin <sup>(1)</sup>

**13%**  
Adj. net margin <sup>(1)</sup>

## Car rental

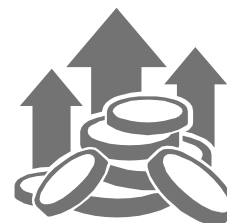


**62%**  
Fleet utilization



**38%** YoY  
Average daily fleet

## Financial positions



**2.7x**  
Net debt/adj. EBITDA <sup>(1)</sup>

RMB **5,036** MM  
Total cash

### 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'18 Financial highlights

(RMB in millions)

	1H'18	1H'17	YoY
Total rental revenue	2,493	2,456	2%
- Car rental	2,073	1,739	19%
- Fleet rental	409	705	(42)%
Total revenue	3,075	3,612	(15)%
Net profit	136	379	(64)%
Adj. EBITDA <sup>(1)</sup>	1,527	1,449	5%
Margin <sup>(3)</sup>	61.3%	59.0%	2.2pp
Adj. net profit <sup>(2)</sup>	336	314	7%
Margin <sup>(3)</sup>	13.5%	12.8%	0.7pp
Free cash flow	(1,368)	407	(436)%
Basic EPS (RMB)	0.06	0.16	(62)%
	<b>Jun-18</b>	<b>Dec-17</b>	<b>change</b>
Total assets	22,816	20,640	11%
Total debt	13,294	11,122	20%
Cash	5,036	4,876	3.3%
Total debt/ Adj. EBITDA	4.3x	3.7x	0.6x
Net debt/ Adj. EBITDA	2.7x	2.1x	0.6x

Note:

(1) Adjusted EBITDA is defined as profit before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain/loss, IPO-related expenses, fair value gain/(loss), costs relating to the used car B2C pilot program, share of (profit)/loss of an associate and fair value changes on derivative instrument-transaction not qualifying as hedges.

(2) Adjusted net profit is defined as profit excluding share-based compensation, foreign exchange (gain)/loss, IPO-related expenses, fair value gain/(loss), share of (profit)/loss of an associate, costs relating to the used car B2C pilot program and fair value changes on derivative instrument-transaction not qualifying as hedges.

(3) As a percentage of rental revenue.

# Car rental: margins constant despite RevPAC decrease ... strong benefit from efficiency upside and operating leverage

(RMB in millions)

Car rental revenue<sup>(1)</sup>

1H'18

2,073

1H'17

1,739

YoY

19%

=

Days

x

Avg. daily fleet<sup>(2)</sup>

83,247

60,307

38%

x

RevPAC<sup>(3)</sup>

138

160

-14%

=

ADRR<sup>(4)</sup>

222

234

-5%

x

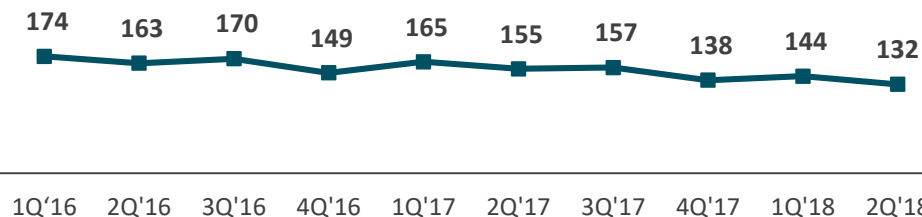
Utilization<sup>(5)</sup>

62.2%

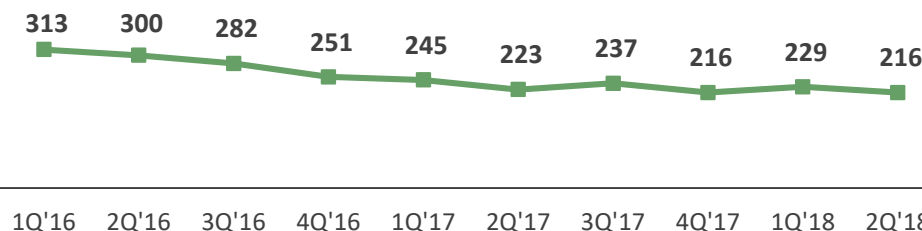
68.5%

-6.3pp

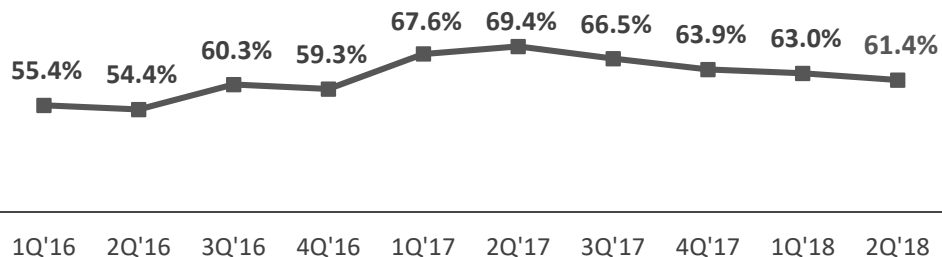
RevPAC<sup>(3)</sup>



ADRR<sup>(4)</sup>



Utilization<sup>(5)</sup>



- ADRR: YoY carry-over impact for 1Q... more incentives to acquire new customers in 2018
- Utilization: strategically adjust to lower utilization targets to enlarge car sharing availability

Notes:

(1) The Company has reclassified the rental revenue and operating fleet to better align with its new development in business natures from 2017Q1.

(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

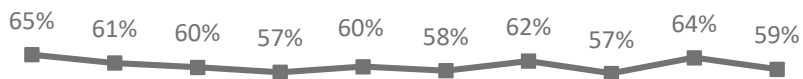
(4) Average daily rental rate is calculated by dividing car rental revenue in a given period by the fleet rental days in that period. Fleet rental days are the total rental days for all vehicles in car rental fleet in a given period

(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

# Sustainable profitability profile

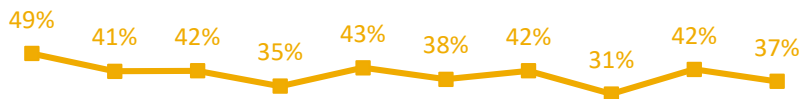
## Profit margins

### Adj. EBITDA margin<sup>(1)(2)</sup>



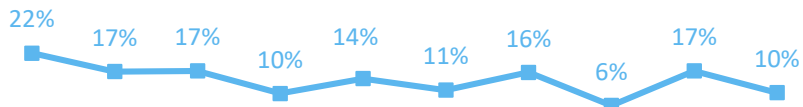
1Q'16 2Q'16 3Q'16 4Q'16 1Q'17 2Q'17 3Q'17 4Q'17 1Q'18 2Q'18

### Gross margin<sup>(1)</sup>



1Q'16 2Q'16 3Q'16 4Q'16 1Q'17 2Q'17 3Q'17 4Q'17 1Q'18 2Q'18

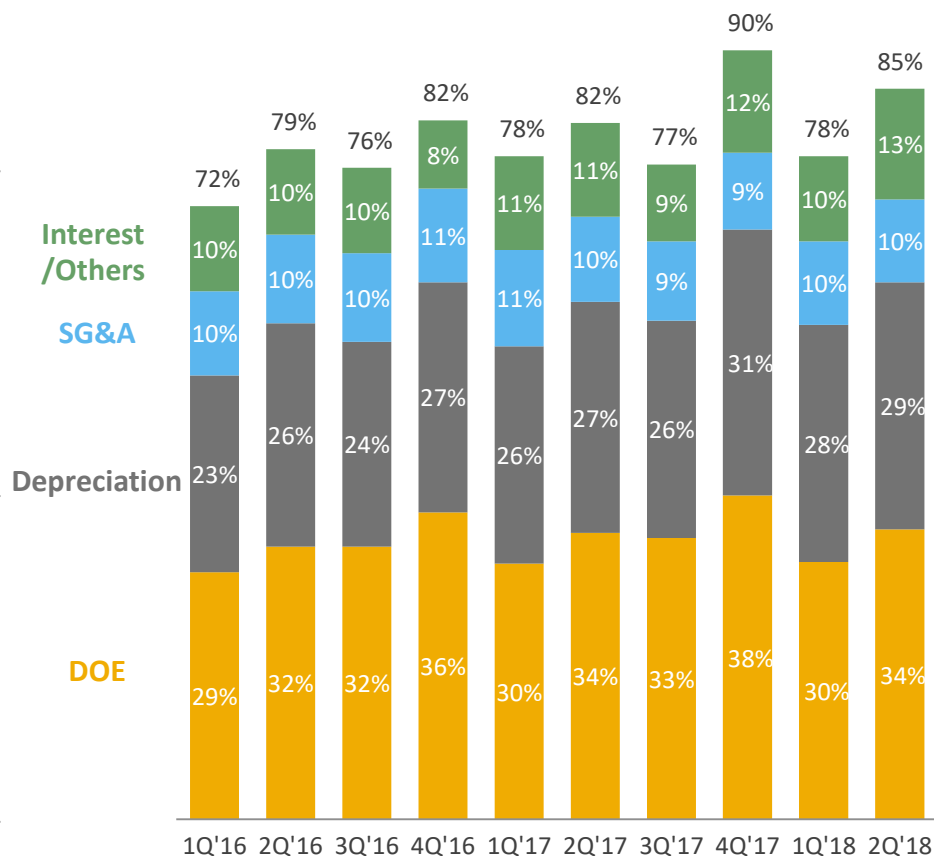
### Adj. net profit margin<sup>(1)(3)</sup>



1Q'16 2Q'16 3Q'16 4Q'16 1Q'17 2Q'17 3Q'17 4Q'17 1Q'18 2Q'18

## Cost structure

### Major cost items as % of rental revenue<sup>(4)(5)</sup>



Notes:

(1) As percentage of rental revenue

(2) Adjusted EBITDA is defined as profit before income taxes, net finance income/costs, depreciation, amortization and impairment, excluding share-based compensation, foreign exchange gain/loss, IPO-related expenses, fair value gain/(loss), costs relating to the used car B2C pilot program, share of (profit)/loss of an associate and fair value changes on derivative instrument-transaction not qualifying as hedges.

(3) Adjusted net profit is defined as profit excluding share-based compensation, foreign exchange (gain)/loss, IPO-related expenses, fair value gain/(loss), share of (profit)/loss of an associate, costs relating to the used car B2C pilot program and fair value changes on derivative instrument-transaction not qualifying as hedges.

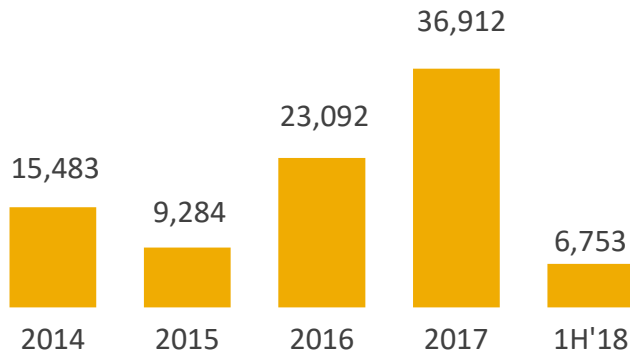
(4) Expenses figures have been adjusted for share-based compensation, reorganization related expenses as well as costs related to suspended fleet. Interest expenses are net of interest income.

(5) The items include other income and expenses relating to the income/(loss) from interest income from bank deposit, government grants, (Loss)/gain on disposals of items of other property, plant and equipment and others, excluding income tax expenses.

# Used car disposal

## Improved capabilities in used car disposal

### # of used vehicles disposed



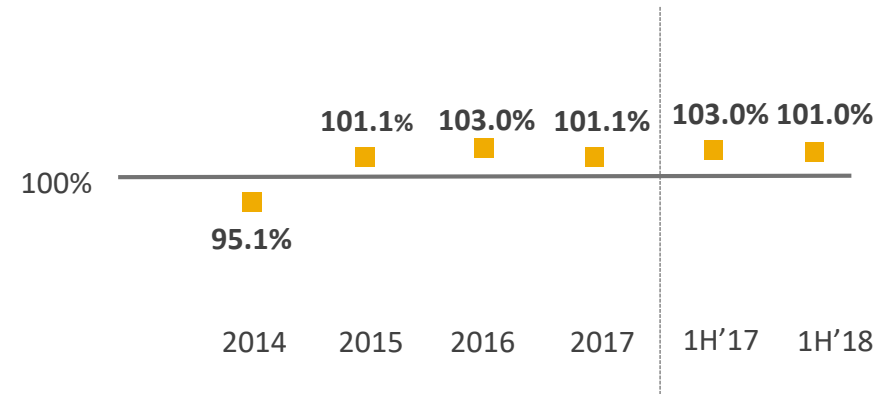
### Avg. selling price (RMB'000)



## Proven residual risk management

### Cost of sales of used vehicles

As % of sales of used vehicles



### Depreciation % (of rental revenue)



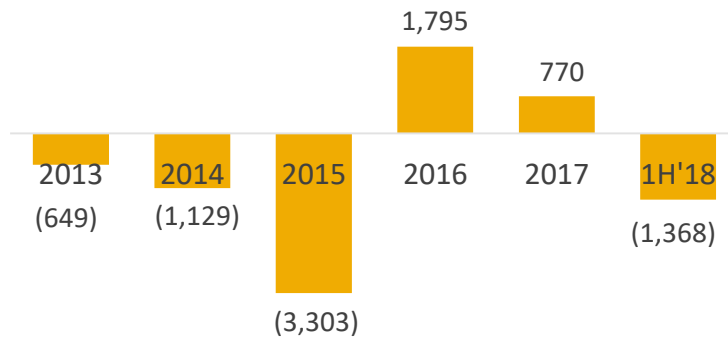
- Retirement schedule adjusted to support car sharing launch: slowed down the car rental vehicle retirement
- Able to dispose UCAR retired vehicles ... higher avg. selling price in 1H due to mix
- Developed more diversified B2C channels and products, and optimizing Maimaiche partnership
- Cost to sales ratio constant at 95%-105% ... continue to improve residual accuracies, 1H 101.0%
- Depreciation% increased by 2.0 pp YoY, due to lower RevPAC and more rigorous residual estimations

# Strong financial positions

## Strong cash generation

(RMB in millions)

### Free Cash Flow (FCF)



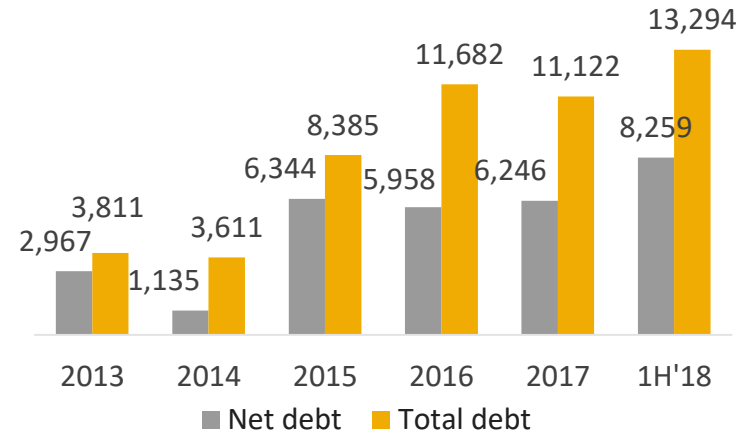
Cash<sup>(1)</sup> 844 2,476 2,041 5,725 4,876 5,036

- ✓ Cash position remains strong at 5.0B ... providing adequate liquidity to prevent macro uncertainties
- ✓ 3.0B capex spent on vehicle purchase to support fleet expansion

## 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 2.7x

- ✓ RMB730MM panda bond and RMB750MM CNH offshore bond issued in 1H, excellent timing of issuance window and strong credit profile proved in tough market environment
- ✓ Further strengthened funding capability and maintain strong credit profile during macro down turn... Rated S&P BB and Moody's Ba3 with both stable outlook

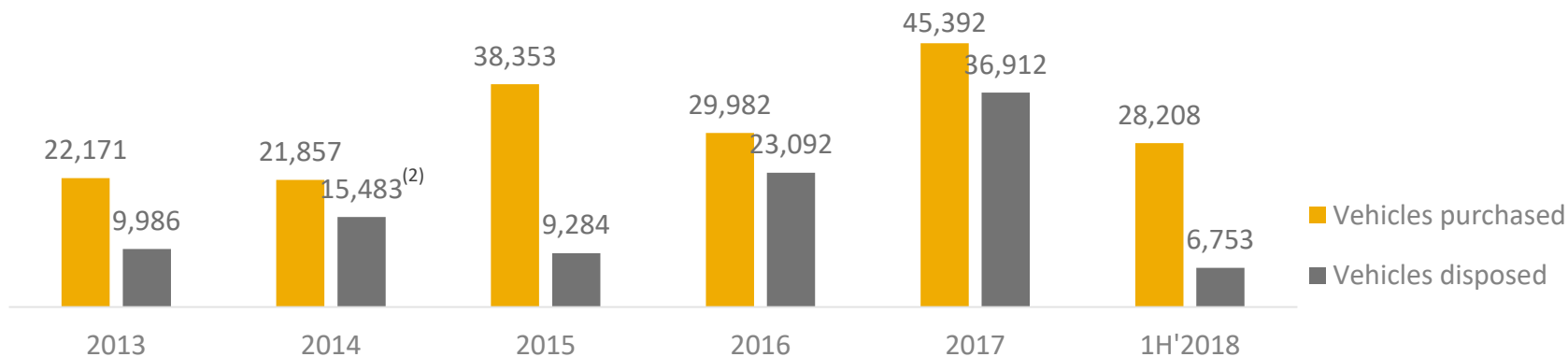
Note:  
(1) includes cash and cash equivalents, restricted cash, and other current financial assets



## Appendix – Supplementary Financials

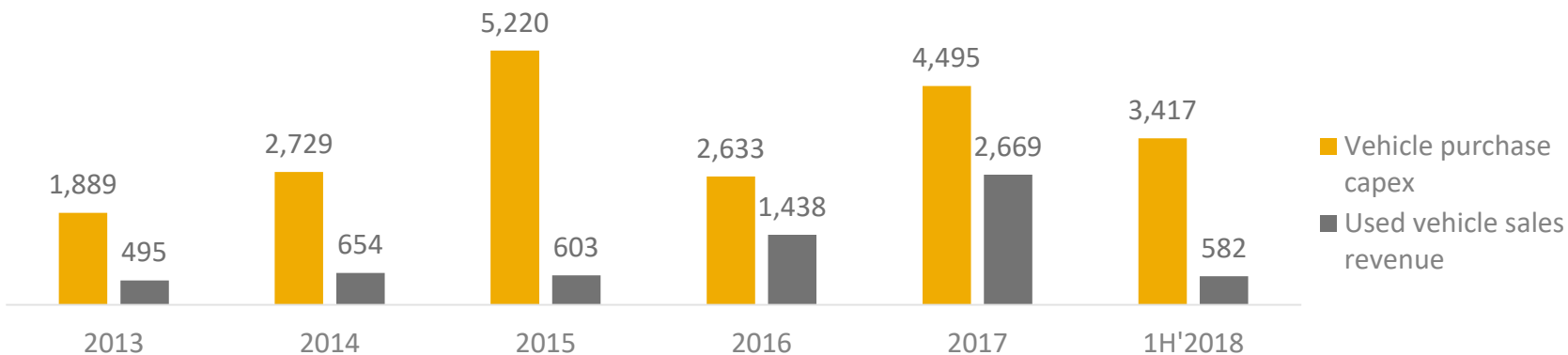
# Net investment in fleet

## Fleet expansion <sup>(1)</sup>



## 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