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PRESS RELEASE

LEASEUROPE INDEX SEGMENT SURVEY: 2019 RESULTS

Brussels, 28 July 2020 – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of European lessors on a quarterly basis. The Segment Survey is an annual supplement to the quarterly Index, reporting on the financial ratios¹ broken down by four asset types; equipment, real estate, passenger cars and commercial vehicles. This 2019 survey is the ninth edition of the project.

Both weighted average ratios and median ratios are reported. The weighted average ratios are useful as they take into account the size of the firms, so that bigger firms contribute more to the final value than smaller firms, but they can be heavily influenced by extremely positive or negative values (outliers). The median ratio reports the value of the mid-point or 'typical' firm and therefore is not influenced by these outliers. However, it does not take into account the firm size, merely the number of firms. Taking into account both of these ratios should give a better picture of the market trends.

We present graphs showing the annual trends from 2015 to 2019, followed by the quarterly trends in 2019. The quarterly results are a lot more volatile than the annual figures, therefore the annual results are a more reliable indicator of changes in the relevant asset segment markets.

Please note that the results of the Segment Survey may not be directly comparable to the Leaseurope Index Quarterly Survey. Various assets that are included in the Quarterly Survey results and which do not fit into one of the four categories used in the Segment Survey, such as renewable energy or big ticket assets, may not be taken into account in the Segment Survey results. Various costs and incomes related to international co-ordination of the business may also not be included, as they can be difficult to allocate to different asset types. In some cases the company figures for each asset type are estimates. For instance, if financial indicators split by assets include a variety of products, then the portion attributable to leasing needed to be estimated. Equally, if asset splits were only available for the total automotive portfolio, then the split by passenger cars and commercial vehicles had to be estimated in some cases.

¹ The financial ratios reported are profitability, cost/income, cost of risk and return on assets. Return on equity is not reported as it is not possible to divide company equity by asset type.

2019 SEGMENT RESULTS

The following paragraphs provide a brief overview of the results of the survey, focusing on the median values of the indicators. The results of the 2019 Segment Survey reveal that leasing KPIs worsened in 2019 with some exceptions. Of the total outstanding portfolio reported, the shares of equipment and commercial vehicles remained unchanged from 2018, at 39% and 8% respectively, while there was a 2-percentage-point increase in the share of passenger cars to reach 35% and a 2-percentage-point drop in that of real estate to account for 8% of the sample portfolio.

Profitability

The profitability ratio indices of most asset categories weakened in 2019 compared to 2018, except for that of passenger cars. It was the only asset category experiencing an improvement in profitability. By contrast, equipment and commercial vehicles were the worst performers, with indices dropping to the lowest levels in the recent five-year period. When looking at quarterly data, all asset types experienced a decline in profitability in the last quarter of 2019. The profitability ratio index of commercial vehicles and real estate reached their peaks in Q2 2019, while that of passenger cars and equipment peaked in Q3 2019.

Cost/income

Cost/income ratios increased across all asset categories in 2019, particularly within the automotive sectors. Both passenger cars and commercial vehicles showed cost/income levels escalating, at above 45%. Equipment continued to experience cost escalation since 2018, at around 48%. Regarding quarterly trends, the ratio especially escalated in the third quarter of 2019, with real estate and commercial vehicles reaching their highest levels at above 35% and 50% respectively.

Cost of risk

The results for the cost of risk ratios varied across asset types in 2019. While equipment and commercial vehicles saw a rising cost of risk at above 0.3% each in 2019, real estate managed to continue to lower the ratio together with passenger cars maintaining the same level as 2018, at below 0.2% each. In general, the cost of risk ratios surged in the last quarter of 2019, where both the real estate and automotive sectors shared similar ratios of 0.3% each.

Return on assets

Developments in return on assets were negative for all asset categories in 2019, especially commercial vehicles which saw a large drop of 0.5 percentage points. Among the four asset types, passenger cars had the highest record in RoA at 1.3% in 2019, with equipment following up at 1.1%, while both real estate and commercial vehicles stood at below 1%. In terms of quarterly trends, RoA performed stronger in the first half of 2019 across all asset categories.

Please refer to the attached tables and graphs for more detailed information.

Fig. 1: Index of Median Profitability Ratio by asset type, 2015 - 2019

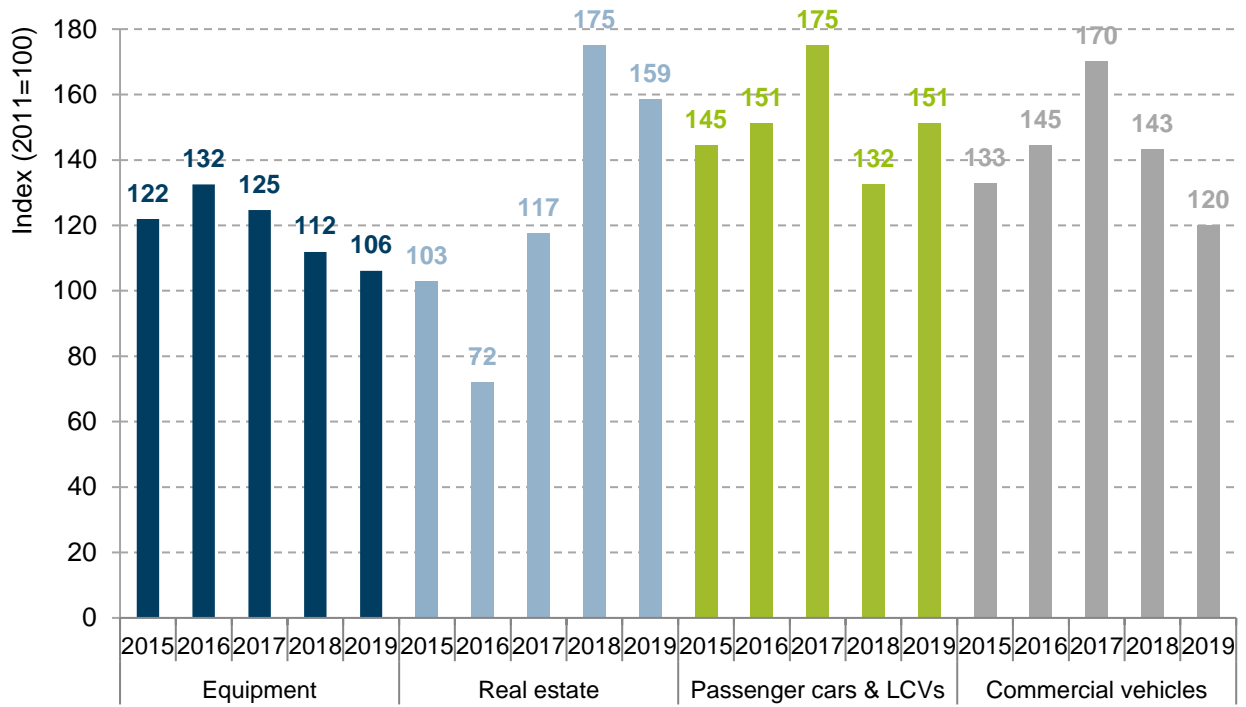


Fig. 2: Median Cost/Income Ratio by asset type, 2015 - 2019

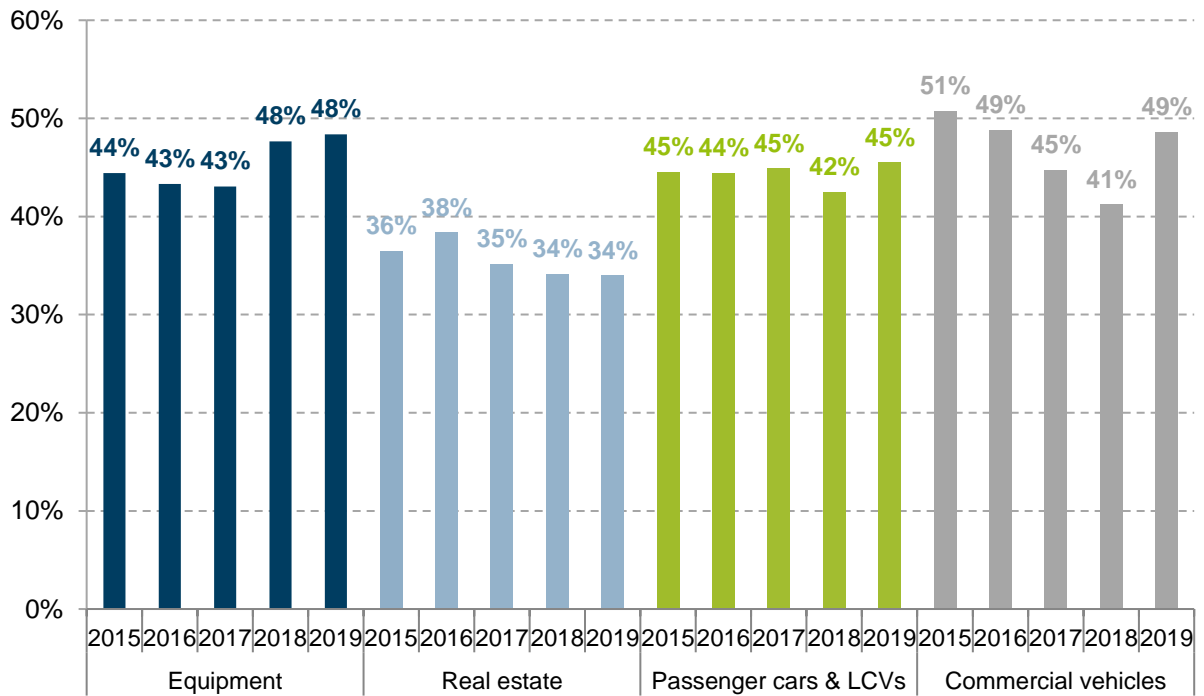


Fig. 3: Median Cost of Risk Ratio by asset type, 2015 - 2019

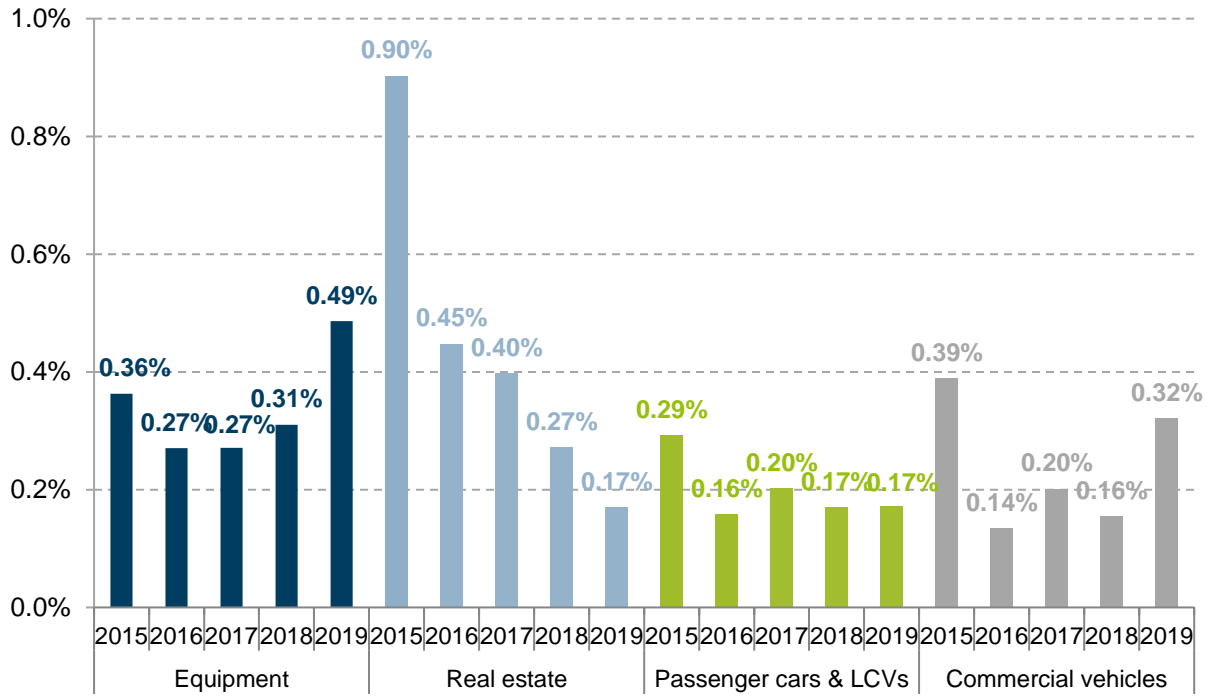


Fig. 4: Median Return on Assets Ratio by asset type, 2015 – 2019

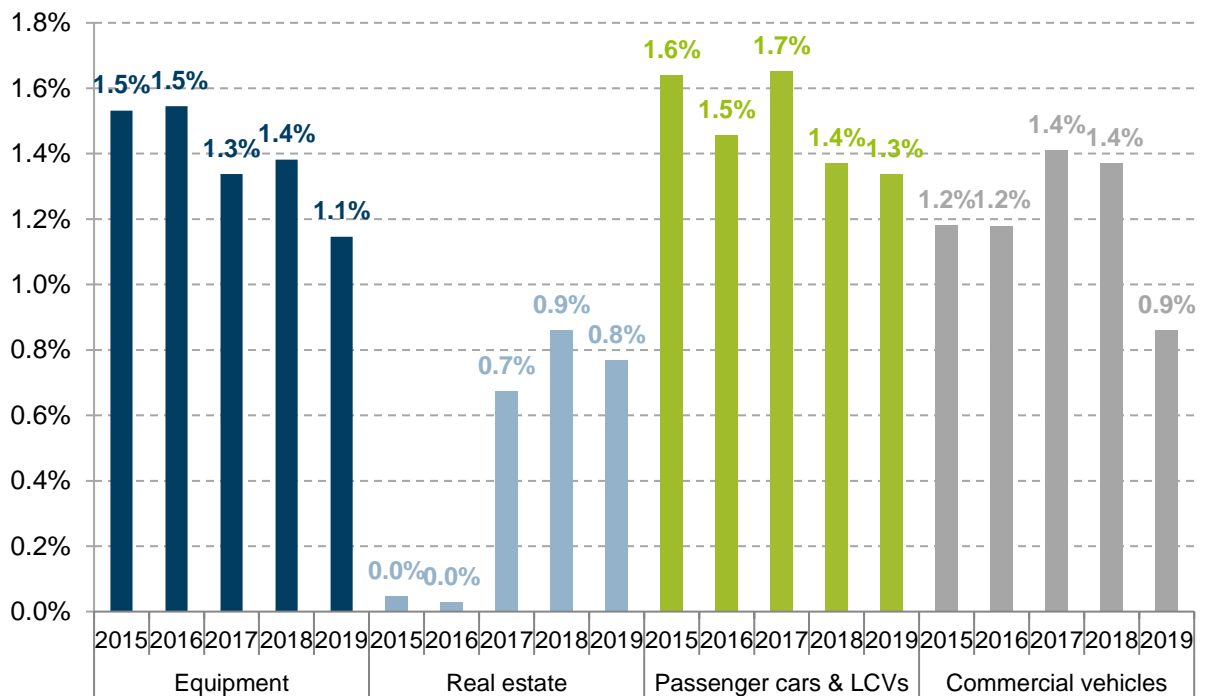


Fig. 5: Index of Median Profitability Ratio by asset type, Q1 – Q4 2019

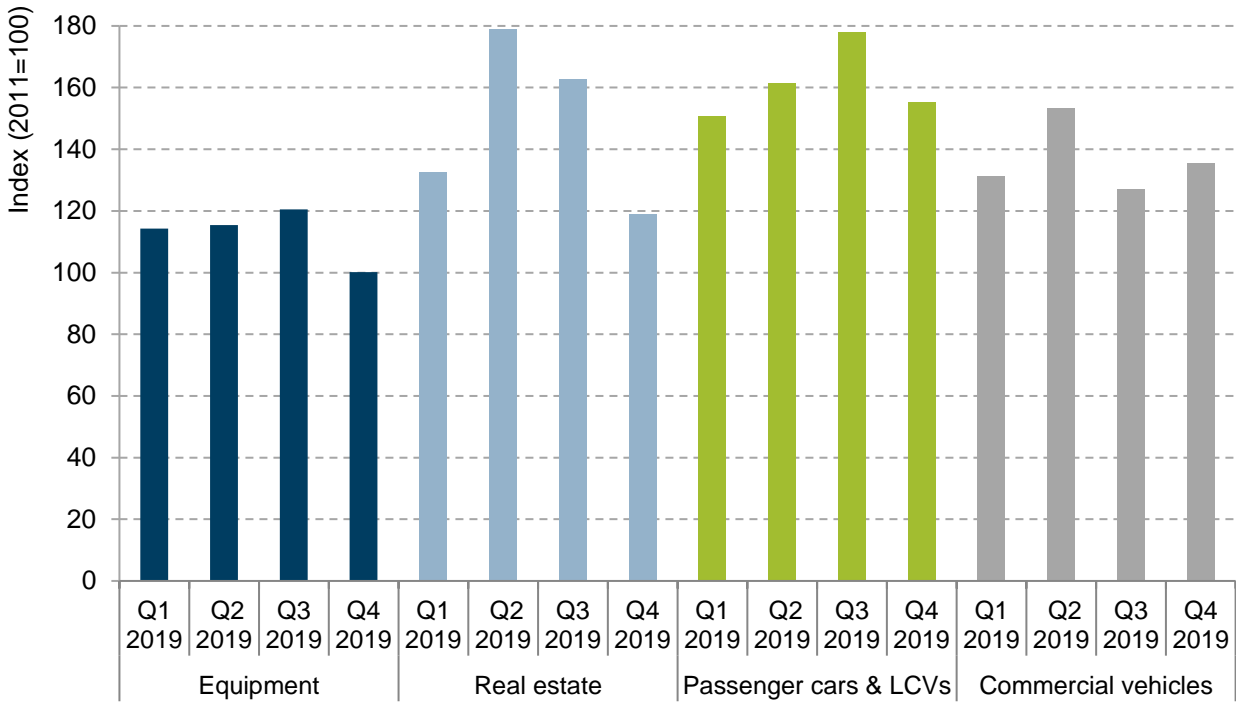


Fig. 6: Median Cost/Income Ratio by asset type, Q1 – Q4 2019

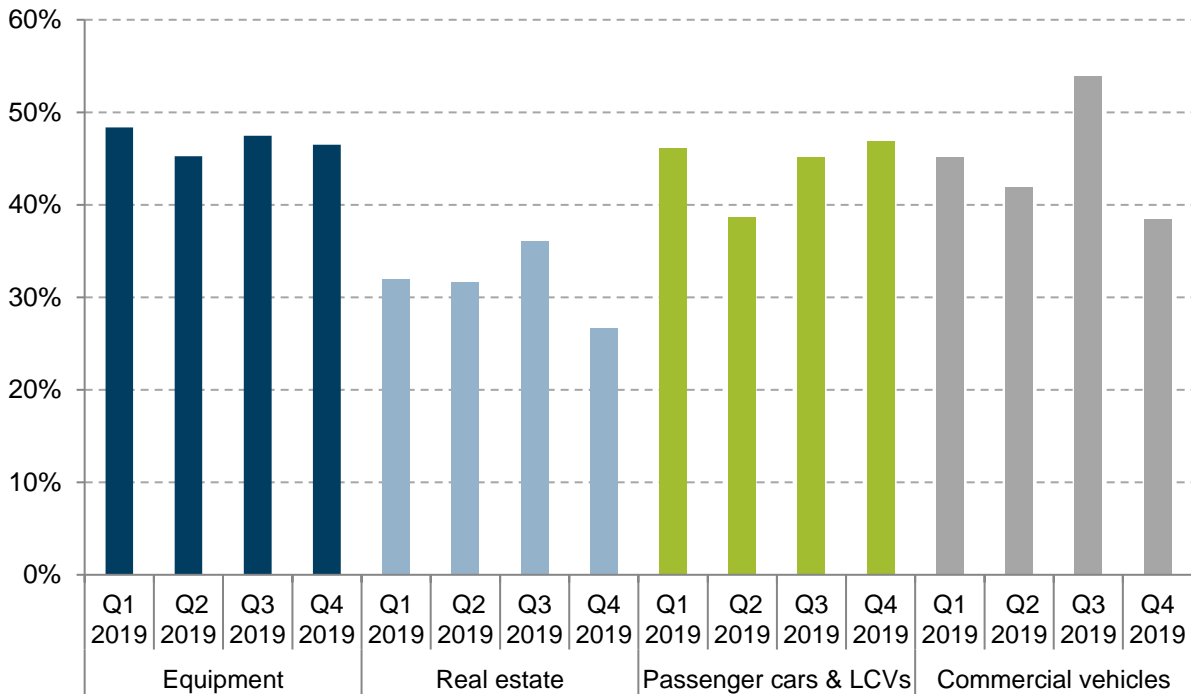


Fig. 7: Median Cost of Risk Ratio by asset type, Q1 – Q4 2019

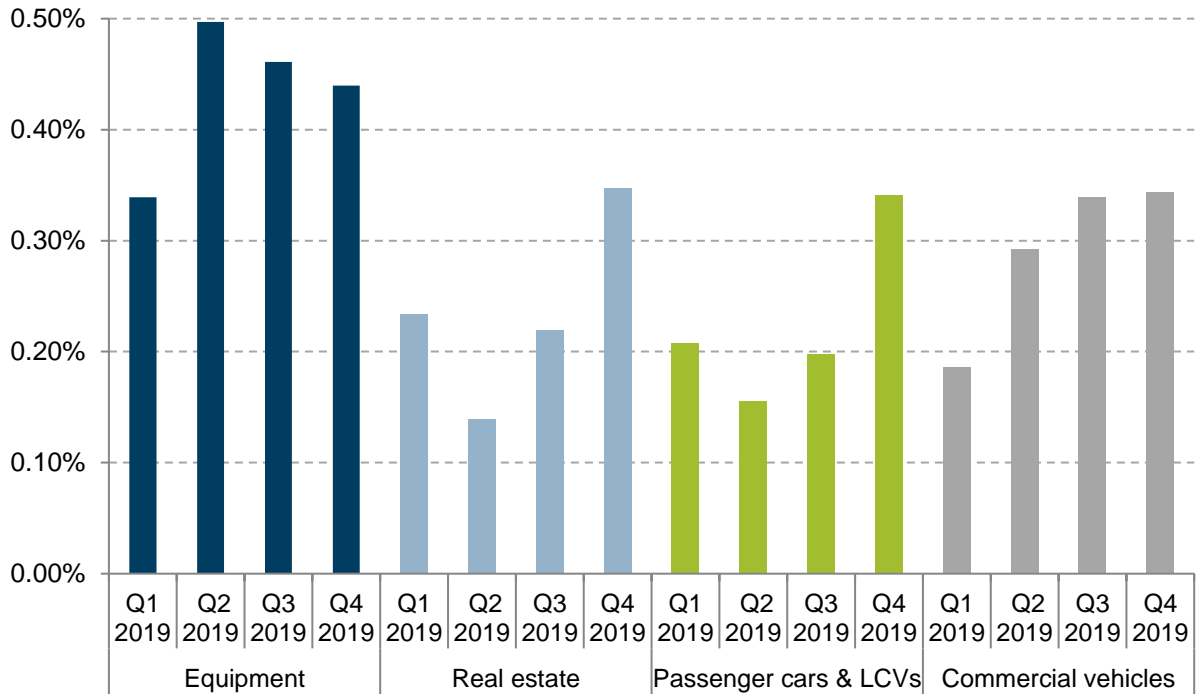


Fig. 8: Median Return on Assets Ratio by asset type, Q1 – Q4 2019

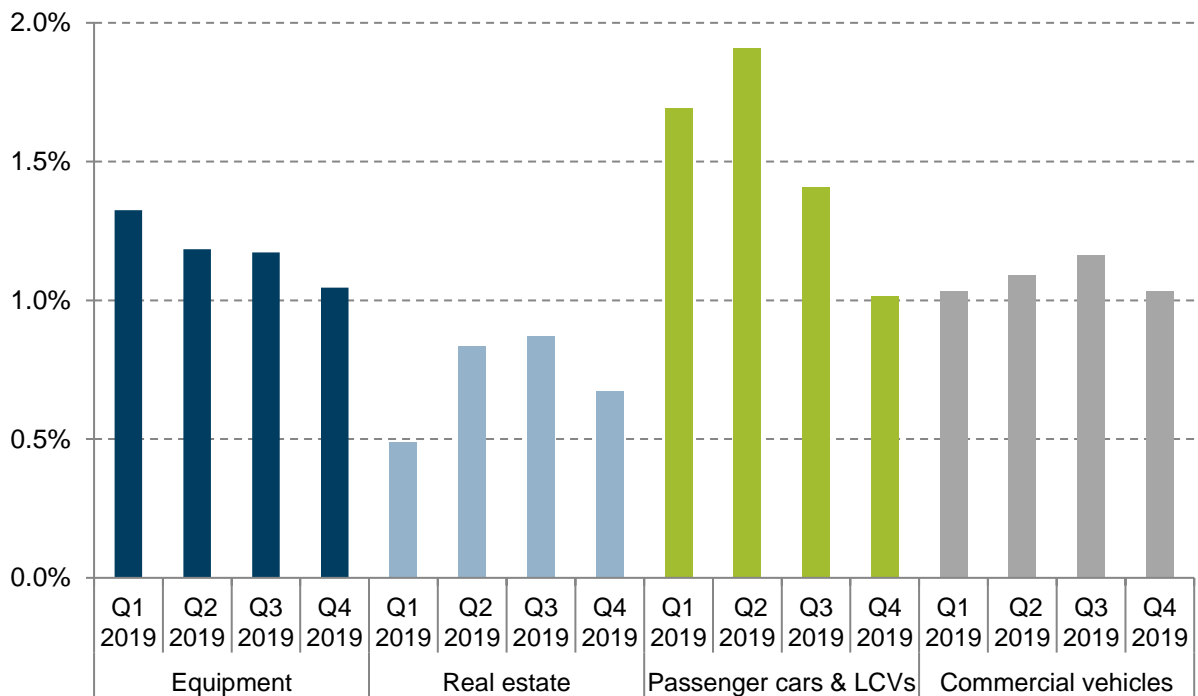


Table 1: Median Ratios² - Equipment

Median Ratios	2019					2018
	Median 2019 full year	Median Q4 2019	Median Q3 2019	Median Q2 2019	Median Q1 2019	Median 2018 full year
Profitability (2011=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	106	100	121	115	114	112
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	48.4%	46.5%	47.5%	45.2%	48.3%	47.6%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.49%	0.44%	0.46%	0.50%	0.34%	0.31%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.1%	1.0%	1.2%	1.2%	1.3%	1.4%

Table 2: Median Ratios - Real Estate

Median Ratios	2019					2018
	Average 2019 full year	Average Q4 2019	Average Q3 2019	Average Q2 2019	Average Q1 2019	Median 2018 full year
Profitability (2011=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	159	119	163	179	132	175
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	34.0%	26.6%	36.0%	31.6%	32.0%	34.1%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.17%	0.35%	0.22%	0.14%	0.23%	0.27%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	0.8%	0.7%	0.9%	0.8%	0.5%	0.9%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

² The median ratio shows the value at which half of the companies lie below this value and half lie above this value. It represents the 'typical' firm in the sample and is not as heavily influenced by outliers (extreme results) as the weighted average.

Table 3: Median Ratios – Passenger Cars & LCVs

Median Ratios	2019					2018
	Average 2019 full year	Average Q4 2019	Average Q3 2019	Average Q2 2019	Average Q1 2019	Median 2018 full year
Profitability (2011=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	151	155	178	161	151	132
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	45.5%	46.9%	45.1%	38.7%	46.2%	42.4%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.17%	0.34%	0.20%	0.16%	0.21%	0.17%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.3%	1.0%	1.4%	1.9%	1.7%	1.4%

Table 4: Median Ratios – Commercial Vehicles

Median Ratios	2019					2018
	Average 2019 full year	Average Q4 2019	Average Q3 2019	Average Q2 2019	Average Q1 2019	Median 2018 full year
Profitability (2011=100) - Index of the median of all companies' pre-tax profit as a % of total operating income	120	135	127	153	131	143
Cost/Income (%) - median of all companies' operating expenses as a % of operating income	48.6%	38.5%	53.8%	41.9%	45.2%	41.2%
Cost of Risk (%)* - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.32%	0.34%	0.34%	0.29%	0.19%	0.16%
Return on Assets (%)* - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	0.9%	1.0%	1.2%	1.1%	1.0%	1.4%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

Table 5: Weighted Average Ratios³ - Equipment

Weighted Average Ratios	2019					2018
	Average 2019 full year	Average Q4 2019	Average Q3 2019	Average Q2 2019	Average Q1 2019	Average 2018 full year
Profitability (2011=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	118	108	112	128	121	133
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	49.4%	48.9%	50.4%	48.0%	50.9%	49.4%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.43%	0.57%	0.42%	0.41%	0.35%	0.29%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.2%	1.0%	1.2%	1.3%	1.3%	1.4%

Table 6: Weighted Average Ratios - Real Estate

Weighted Average Ratios	2019					2018
	Average 2019 full year	Average Q4 2019	Average Q3 2019	Average Q2 2019	Average Q1 2019	Average 2018 full year
Profitability (2011=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	101	-42	212	183	158	133
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	43.1%	38.8%	46.2%	42.7%	46.1%	41.6%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	1.21%	2.77%	0.48%	1.06%	0.59%	0.88%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	-0.1%	-1.7%	0.4%	0.1%	0.5%	0.3%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

³ Leaseurope calculates weighted average ratios based on the data provided by participating companies. The profitability and cost/income ratios are weighted by new business volumes over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the quarter to arrive at the weighted average ratio shown in the table. The cost of risk and RoA ratios are weighted by the average portfolio over the relevant period.

Table 7: Weighted Average Ratios – Passenger Cars & LCVs

Weighted Average Ratios	2019					2018
	Average 2019 full year	Average Q4 2019	Average Q3 2019	Average Q2 2019	Average Q1 2019	Average 2018 full year
Profitability (2011=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	125	108	135	122	132	131
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	52.6%	56.9%	51.1%	55.4%	50.0%	51.2%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.20%	0.26%	0.14%	0.18%	0.22%	0.19%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	2.4%	2.3%	2.4%	2.1%	2.7%	2.6%

Table 8: Weighted Average Ratios – Commercial Vehicles

Weighted Average Ratios	2019					2018
	Average 2019 full year	Average Q4 2019	Average Q3 2019	Average Q2 2019	Average Q1 2019	Average 2018 full year
Profitability (2011=100) - Index of the average of all companies' pre-tax profit as a % of total operating income	94	100	78	112	95	112
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	47.1%	48.3%	48.4%	45.2%	48.0%	48.4%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.34%	0.38%	0.45%	0.27%	0.28%	0.18%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.1%	1.0%	0.9%	1.3%	1.2%	1.3%

* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

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About Leaseurope

Leaseurope brings together 46 member associations representing the leasing, long term and/or short term automotive rental industries in the 32 European countries in which they are present. The scope of products covered by Leaseurope members' ranges from hire purchase and finance leases to operating leases of all asset categories (automotive, equipment, machinery, ICT and real estate). It also includes the short-term rental of cars, vans and trucks. It is estimated that Leaseurope represents over 90% of the European leasing market. In 2019, the leasing firms represented through Leaseurope's membership helped European businesses and other customers invest in assets worth more than €407 billion, reaching about €919 billion in outstanding portfolio at the end of the year.