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Research & advice

European car lease companies' financials

Strong profits, a healthy financial position, and a positive outlook

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About this report

This report has been commissioned by Transport & Environment.

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Authorship

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Summary

In 2018-2022, European car lease companies have shown an increasing profitability and an improving financial strength. This, while the prospects for the car lease market after 2022 remain favourable in the long-term, and despite short- to medium-term challenges due to higher interest expenses. The ability of the companies to a green transition seems better in 2022 than in 2018.

A selection of eight car lease companies, as well as sector-wide data, are analysed. The current report investigated eight leading European-based car lease companies: ALD and LeasePlan, Alphabet/BMW Financial Services, Arval, Leasys, Mercedes-Benz Mobility/Athlon, Mobilize Financial Services, and Volkswagen Financial Services. Data from lease industry organisation Leaseurope have also been investigated.

Profitability and financial strength indicators were selected. Based on literature research and similar sectors, four key indicators of profitability and financial strength have been selected: pre-tax profit, pre-tax profit per car, return on equity (ROE), and equity to total assets ratio. In addition, growth in the number of cars and/or contracts, totals assets, return on assets (ROA) have been collected as indicators of the sector's financial condition.

Profitability developed healthily from 2018 to 2022. The number of leased/financed cars or contracts increased by a total of 5.4% from 2018 to 2022. The pre-tax profit of the companies showed a growth of 82.3% to € 15.7 billion. Excluding two companies that did not report consistently, the growth in the number of cars was 6.7% and pre-tax profit growth 83.6%. This was ahead of the growth of 71.2% based on Leaseurope data. Of the eight selected companies, only Mobilize showed a decline in pre-tax profits.

In nominal terms, the average pre-tax profit per car for the eight companies has increased by 75.5% from 2018 to 2022, and reached € 689 in 2022. In real terms, adjusted for inflation, the increase from 2018 to 2022 was 52.8%. Over a 3.5-year average lease period, the pre-tax profit (adjusted for inflation) amounted to € 1,963 per car (2019-2022). No company realized a negative growth number.

The return on equity (pre-tax profit as percentage of equity) for the selected companies, has increased strongly from 21.2% in 2018 to 27.2% in 2022. Again, only Mobilize showed a decline. These outcomes are substantially ahead of a comparable sector like European banks (7-12%). Versus the required cost of capital by financial markets (5-9%), the outcomes of the average ROE can be qualified as 'high'.

Financial strength has improved from 2018 to 2022. The equity to total assets ratio showed a gradual increase from 10.7% to 12.9%. This means that the financial strength on average seems to have improved. Equity to asset ratios for banks are usually between 5% and 15%. The eight companies have a ratio that is in most cases in the high-end of the range. With some lease companies having a bank license, the central banks monitor their equity to risk-weighted assets, which is a more narrow definition of assets, and is now required to be 10.7% (2023). Also versus this ratio, the selection of companies seems to have ample equity.

No material structural changes ahead, although short- to medium term interest expense are a challenge. The business dynamics and revenue growth factors of the last few years are not expected to experience a material change. The energy transition is a challenge as well as an opportunity, while car lease might gain share versus the ownership model. In the short- to medium term, higher interest expenses could have a negative impact on profits.

Abbreviations

CET1	Common equity tier 1
Equity to total assets ratio	Equity/Assets
n.a.	Not available
n.d.	No data
Pre-tax profits	Profit before tax
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROEU	Pure equity required rate of return
ROIC	Return on Invested Capital
T&E	Transport & Environment
YoY	Year-on-year

Introduction and methodology

Transport & Environment (T&E) would like to understand why car lease companies are not leading the overall market in the uptake of battery electric vehicles. Therefore, the question needs to be answered whether the European car lease companies are profitable enough to invest more into electric vehicles, and whether their financial position has sufficient strength for the energy transition. This report will not make an estimate of the necessary investments to adapt the sector to the European climate goals, as this would require additional estimates and assumptions on market growth, car lease penetration, cost of ownership, changes in subsidies etc. The assumption for this report is that a strong profitability and a good financial position are ingredients for the energy transition process.

To conclude on the profitability and the financial strength, the first step is to distinguish the relevant financial ratios. These ratios will be calculated for eight car leasing companies. In some instances, these companies are part of a large car manufacturer or are owned by banks. These car manufacturers and banks report on these activities in their annual reports and in their quarterly and half-year reports. In some of these cases, the car lease activities are part of a larger finance division within these manufacturers or banks. One of the eight car lease companies is partly listed on a stock exchange (ALD). Two of the eight companies merged their activities in 2023 (ALD, LeasePlan).

The investigated period is 2018 to 2022. The outcomes of the relevant profitability and financial strength ratios have been compared with each other for the eight car lease entities. The 'total' and the 'averages' of the relevant ratios of the eight lease companies are compared with the data from Leaseurope which reports industry ratios.

To decide on whether profitability is sufficient or insufficient, the profitability ratio 'Return on Equity' (ROE) is benchmarked versus ratios in comparable industries as well as a required level of cost of capital.

Finally, a short overview is included on the prospects of the car lease industry, after 2022. The focus is on whether material changes in the market can be expected. A material change affecting profitability or the financial strength of the car lease industry could be an argument for companies to decelerate the greening of their activities.

1

Profitability and financial strength

This section investigates key financial data of car lease companies. Four key indicators have been distinguished: pre-tax profit, return on equity, pre-tax profit per car/contract, and the equity to total assets ratio. The outcomes underline that profitability from 2018 to 2022 has improved consistently for most investigated companies as well as the sector. The financial position, represented here as equity versus total assets, became gradually stronger in 2018-2022.

1.1 Introduction

While in the last part of this section data from Leaseurope summarize over 90% of the European lease industry, the first part of the section dives deeper in the profit & loss accounts and the balance sheets of eight leading car lease companies. The data of these eight individual companies provide 'supporting evidence' for the profitability and financial strength of European car lease and car finance companies. The following companies are included:

- **ALD & LeasePlan**: ALD is a leasing and fleet management group. In 2023, ALD finalized the acquisition of LeasePlan for € 4.8 billion. The total fleet will be 3.3 million vehicles. ALD | LeasePlan, with the new name Ayvens, is 52.6% owned by the Société Générale group and 30.8% by the former LeasePlan shareholders. The free float is 16.6%.
- **Alphabet** was founded in 1997 in the UK as a division of the BMW Group. Alphabet is classified in the Financial Services segment of the BMW Group and offers primarily fleet management to business customers.
- **Arval** specialises in full-service vehicle leasing and new mobility solutions. It is fully owned by BNP Paribas.
- **Leasys**: Stellantis and Crédit Agricole both have 50% ownership. Since 31 December 2022, the activities include Free2Move Lease. Leasys does not include Fee2Move car sharing activities. The car sharing financial results cannot be distinguished from the Stellantis annual reports and are not included in this report.
- **Mercedes-Benz Mobility/Athlon**: Athlon is part of the Mercedes-Benz Mobility division. Athlon offers primarily fleet management services for business customers. Mercedes-Benz Mobility offers financing, leasing, fleet management, investments and insurance brokerage.
- **Mobilize Financial Services** offers a wide range of financial services related to the Renault Group brands Renault, Dacia, Alpine, Renault Samsung Motors and Mobilize, and for the Nissan Group brands Nissan and Datsun and Mitsubishi Motors in the Netherlands. Due to its activities, Mobilize Financial Services is under the supervision of the European Central Bank - under the name of RCI Banque.[1]
- **Volkswagen Financial Services** comprises dealer and customer financing, vehicle leasing, direct banking and insurance activities, fleet management and mobility services.[2]

1.2 Selection of key indicators

This section distinguishes the key indicators to evaluate the profitability and financial strength of car lease companies.

Car lease companies have equity and borrow money which is invested in car financing like lease and other car services. These car lease companies sometimes operate as financial institutions as they invest money of their own (equity) and from deposits and other debt-owners into cars and lease contracts as well as other financing services related to car sales. Because of the diversity observed in the car lease companies' profiles, this research investigated **the key profitability ratios** for lease companies (for instance Air Lease), banks (for instance ABN Amro), and investors (for instance BlackRock). According to Bloomberg, these are:

- Return on equity (ROE) = Net income / Equity,
- Return on assets (ROA) = Net income / Total Assets,
- Return on capital (ROCE) = EBIT / Capital Employed,
- Return on invested capital (ROIC) = Net operating profit after tax / Invested Capital.

Bloomberg's **key ratios for margins** are:

- Operating margin,
- Pre-tax profit margin,
- Net profit margin,
- EBITDA margin (not for banks).[3]

The ratios mentioned here are confirmed by CFI (Corporate Finance Institute).[4] The revenue lines, which are essential to calculate margins, show a variety in definition and coverage between the selected car lease companies. As the next sections will show, there is not a single and consistent definition, as revenues can refer to "leasing revenues", "operating lease income", "net banking income". Therefore, the margin ratios are not ideal to apply in the current report. In contrast, the ratios of **return on equity** or return on total assets lead to more consistent data collection.

Mercedes-Benz Mobility says that the key measure for profitability is not return on sales. Adjusted return on equity (ROE), EBIT excluding exceptional items, as percentage of average equity, and new business are the key performance indicators for Mercedes-Benz Mobility.[5] However, the problem for the current research is that the data on 'new business' is not consistently available for all eight companies, which makes it difficult to use.

1.2.1 Return on equity

In the next paragraphs, it is explained that an **ROE** with a double-digit percentage can be seen as a 'healthy'.

- **Comparison with banks**

  Many car lease companies are part of a bank or act as a bank (taking up deposits and lending this to customers). The European Central Bank (ECB) published a summary of 10 models for ROE calculation for Euro area banks, and the average outcomes of the 10 models were between 7.3% and 12.7%.[6] It needs to be considered that the current report has chosen pre-tax profits in the ROE calculation due to data availability, while others sometimes use net profit.

- **The required ROE for investors**

  The generated ROE should be compared with the required ROE, based on capital costs. Shareholders like to see a certain ROE in order to invest money in a company.

  Technically, this required return on equity for lease companies depends on various factors such as the company's risk profile, capital structure, and market conditions. According to the Capital Asset Pricing Model (CAPM), the pure equity required rate of return depends on how risky the firm or project is relative to the market (its Beta).[7] The formula for calculating the pure equity required rate of return is:

ROEU = RF + Beta (RM - RF), where ROEU is the pure equity required rate of return, RF is the risk-free rate (in the EU approximately 3%), Beta is the company's beta (=risk), and RM is the market risk premium (approximately 5%[8]).

This means when banks have a Beta of 1.0, the required ROE would be 5% and when the Beta is 2.0 (very high), the ROE would be 9%.

In other words, all companies under study have a ROE outcome that is much higher than the required range of 5-9%. Note that Mercedes-Benz applies internal rates of ROE for each division. For instance, in 2018 and 2019 Mercedes-Benz Mobility/Athlon applies an internal cost of capital of 13% and 12% for 2020 to 2022.[9]

The current report used pre-tax profit to calculate the ROE. However, an adjusted number using net profit instead of pre-tax profit would still have led to high ROEs compared to the bank sector and compared to the required ROE.

1.2.2 Equity to total assets ratio

Another important indicator of financial health of a lease company is the **equity to total assets** ratio. Indeed, some of the lease companies act like a bank, as they get deposits or other funding from third parties and subsequently lend money to car owners and dealers. Equity to asset ratios for banks are usually above 5% and might be 15%.[10]

It needs to be considered that two of the lease companies seem to be monitored by central banks as they have a banking license as this is their main activity.[11] For instance, Mobilize is under the supervision of the European Central Bank - under the name of RCI Banque, and also LeasePlan and since the merger ALD report to central banks. Their equity level is monitored by the responsible central banks and requires a minimum level. Then central banks do not monitor equity to total assets, but more complex ratios. The so-called CET1 (Common Equity Tier 1) is a measure of bank solvency which measures bank's capital against risk-weighted assets and is required to be 10.7% in 2023. In the current report, the granularity of risk-weighted assets per company is not investigated but some companies give their CET1 ratio. For instance, Mobilize Financial Services had a CET1 of between 14.47% and 14.76% in 2020-2022.[12]

1.2.3 Pre-tax profit per car and pre-tax profit

The **profit per lease/financed car** shows whether there is a consistent pattern of profits per car and whether there has been an increase throughout the years. This ratio will be analysed in nominal terms as well as in real terms (adjusted for inflation).

A logical choice for performance measurement is the growth of pre-tax profit, as it shows a nominal trend and it is the basis for the calculation of ROE and pre-tax profit per car.

1.2.4 Conclusion

Concluding, the key financial ratios investigated in the current report are as follows:

- **Growth of pre-tax profits.** The current report also includes growth of asset value, and growth of number of lease or financed contracts have been given. These have been calculated as a 5-year total growth. The pre-tax profit is a step-up to calculate the pre-tax profit per car.
- **Pre-tax profit per lease/financed car.** This ratio is calculated per company per year. In section 1.11.3 the outcomes per year are translated into a 3.5-year average lease period.
- **Return on Equity (ROE) = Pre-tax profits divided by Equity**. The current report has used pre-tax profits, as these are published at most companies. Furthermore, average equity values have been used in case ratios are not published by companies. These averages have been calculated as 'ultimo value year t + ultimo value year t-1, divided by 2'. The current report applies own calculations, and not what companies give as these have no consistent methodology. Overall, differences between the outcomes published by companies and

calculated by Profundo are not material. Return on Assets (ROA) are also listed in the tables as these can be compared with outcomes of Leaseurope (Leaseurope does not publish ROE). In the sections per company the ROEs have been calculated, and in section 1.11.4 an analysis has been made whether these levels are sufficient to label them as 'healthy'.

- **Equity ratio = Equity divided by Total assets.** Also here, an average for total assets has been applied. In section 1.11.6 an analysis has been made how these compare to banks.

The key financial indicators have been analysed in a 5-year context: from 2018 to 2022.

1.3 ALD | LeasePlan

The 2018-2022 financial data are from ALD, before the merger with LeasePlan. Key observations:

- A very strong growth in pre-tax profits in 2022, while growth in leasing revenues was more moderate.
- Fleet or total contracts grew by 8.9% between 2018 and 2022.
- Pre-tax profit per car saw a strong increase of 120.1% in four years' time.
- ROE showed a strong growth to a high level of 28.1% in 2022. This is substantially above the cost of equity or costs of capital (see in summary section 1.2 where a ranges of 5-9% is mentioned. Mercedes-Benz Mobility has set 12%).
- Equity/total assets ratio developed very positively to 22.0%, which indicates a very healthy financial position. The annual reports do not discuss a CET1 as the division seems to have no banking license. However, the merged company ALD | LeasePlan published a 1H23 report with a CET1 of 12.5%.[13]

Table 1 ALD: key financial data

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Leasing revenues	4,171	4,418	4.428	4,478	4,804	15.2%
Operating result	688	691	613	1,121	1,651	140.0%
Pre-tax profit	689	693	615	1,119	1,651	139.6%
Net income, group	556	564	510	873	1,208	117.3%
Balance sheet and other						
Equity	3,668	4,029	4,195	4,846	6,893	87.9%
Total assets	23,254	25,588	25,088	26,991	31,351	34.8%
Fleet/total contracts (million)	1.66	1.77	1.76	1.80	1.81	8.9%
Ratios						
Return on Equity (before tax, %)	19.5%	18.0%	15.0%	24.8%	28.1%	n.a.
Return on Assets (%)	3.1%	2.8%	2.4%	4.3%	5.7%	n.a.
Pre-tax profit per car (€)	415.1	391.5	349.4	621.7	913.7	120.1%
Equity/total assets (%)	15.8%	15.7%	16.7%	18.0%	22.0%	n.a.

Source: Profundo based on annual reports ALD

Until the merger, LeasePlan had its own website with financial information. A part of this information was brought into the ALD (or Ayvens) website after the merger. There is no data before 2020. Key observations:

- A very strong growth in pre-tax profits from 2020 to 2022, while growth in leasing revenues stagnated.
- Fleet or total contracts declined between 2020 and 2022. In 2018, the fleet stood at 1.8 million.
- ROE showed a strong growth to a high level of 35.1% in 2022. This is substantially above the cost of equity or costs of capital (see in summary section 1.21.11).
- Equity/total assets ratio developed positively to 16.1%, which indicates a very healthy financial position. The annual report 2022 showed a CET1 of 15.6%.

Table 2 LeasePlan: key financial data

€ million	2020	2021	2022
Profit & Loss			
Operating lease income	3,980	3,726	3,920
Total revenues	9.445	9,138	9,735
Pre-tax profit	341	940	1,815
Net profit	253	1,017	1,935
Balance sheet and other			
Equity	4,178	4,780	5,568
Total assets	31,016	32,250	34,520
Fleet/total contracts (million)	1.9	1.8	1.6
Ratios			
Return on Equity (before tax, %)	8.2%	21.0%	35.1%
Return on Assets (%)	1.1%	3.0%	5.4%
Pre-tax profit per car (€)	179.5	522.2	1134.4
Equity/total assets (%)	13.5%*	14.8%	16.1%

Source: Profundo based on annual reports LeasePlan; * 2020 equity divided by 2020 total assets instead of average assets as 2019 numbers are not available to calculate 'average'.

1.4 Alphabet/BMW Financial Services segment

Alphabet is part of BMW's Financial Services (BMW FC) segment. In total, this segment has 5.2 million credit and lease contracts with retail clients in 2022. Separate financial numbers for Alphabet are not available, only that there are around 0.7 million fleet contracts annually. Key observations:

- A strong growth in pre-tax profits from 2018 to 2021, and a decline in 2022. Growth in leasing revenues was more moderate.
- The number of credit and lease contracts with retail clients fell by 8.6% in the 2018-2022 period. Fleet contracts under the Alphabet name were stable at 0.7 million.
- Pre-tax profit per car saw a strong increase of 60.6% in four years' time.

- ROE showed a growth to 18% in 2022. The numbers are given as BMW publishes them and as Profundo calculates them based on 'average' equity (ultimo 2022 and 2021 divided by two).
- Equity/total assets ratio moved slightly upward to 11.9%. In equity/total asset ratio, BMW FC's outcome is in the middle of the group (see section 1.11). The annual reports do not discuss a CET1 as the division seems to have no banking license.

Table 3 Financial Services segment BMW: key financial data

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Revenues	28,165	29,598	30,044	32,867	35,122	24.7%
Pre-tax profit	2,161	2,272	1,725	3,753	3,205	48.3%
Net profit	1,653	1,600	1,269	2,915	2,532	53.2%
Balance sheet and other						
Equity	14,919	15,545	15,555	17,324	17,737	18.9%
Total assets	146,808	156,500	147,617	153,437	149,413	1.8%
Credit and lease contracts retail (million)	5.7	5.5	5.6	5.6	5.2	-8.6%
New contracts credit financing and leasing retail (million)	1.9	2.0	1.9	2.0	1.5	-19.1%
Value new credit and lease contracts retail	55,817	61,353	57,200	63,414	55,449	-0.7%
Fleet contracts under Alphabet name (million)	0.700	0.717	0.705	0.696	0.701	0.1%
Ratios						
Return on Equity (published by BMW)	14.8%	15.0%	11.2%	22.6%	17.9%	n.a.
Return on Equity (%)	14.6%	14.9%	11.1%	22.8%	18.3%	n.a.
Return on Assets (%)	1.5%	1.5%	1.1%	2.5%	2.1%	n.a.
Pre-tax profit per car (€)	337.7	366.0	274.0	598.0	542.2	60.6%
Equity/total assets (%)	10.2%	9.9%	10.5%	11.3%	11.9%	n.a.

Source: Profundo based on annual reports BMW Group.

1.5 Arval

Arval is part of BNP Paribas. Key observations:

- A strong growth in pre-tax profits from 2018 to 2022, with a strong jump in 2022. Growth in gross income was lower but still strong with 105.9%.
- The number of leased cars grew by 33.4% in 2018-2022.
- Pre-tax profit per car saw a strong increase by 151.1% in four years' time.
- ROE reached a very high 55.8% in 2022. Profitability in preceding years was also high.
- Equity/total assets ratio was below-average in a range of 6.9% to 9.2% (see section 1.11). The improvement in 2021 and 2022 showed an improving financial strength of the company. The annual reports do not discuss a CET1 as the division seems to have no banking license.

Table 4 Arval: key financial data

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Gross operating income	1,212	1,327	1,374	1,736	2,496	105.9%
Pre-tax profit	496	565	578	911	1,662	235.1%
Net profit	413	474	471	720	1,249	202.4%
Balance sheet and other						
Equity	1,590	1,694	2,072	2,545	3,408	114.3%
Total assets	21,431	24,619	26,454	29,317	36,917	72.3%
Leased fleet (million)	1.19	1.30	1.38	1.47	1.59	33.4%
Ratios						
Return on Equity (before tax, %)	31.2%*	34.4%	30.7%	39.5%	55.8%	n.a.
Return on Assets (%)	2.3%*	2.5%	2.3%	3.3%	5.0%	n.a.
Pre-tax profit per car (€)	415.8	435.6	418.8	619.7	1,044.0	151.1%
Equity/total assets (%)	7.4%	6.9%	7.8%	8.7%	9.2%	n.a.

Source: Profundo based on annual reports Arval; *) 2018 ROE and ROA are based on ultimo 2018 equity respectively assets due to lack of data

1.6 Leasys

Key observations:

- A strong growth in pre-tax profits from 2018 to 2022, with a strong jump after 2020. Growth in rental margin was lower but still strong with 77.4%.
- The number of leased cars grew by 81.9% in 2018-2022. This includes some scope changes.
- Pre-tax profit per car saw a strong increase between 2018 and 2022.
- ROE has remained on a high level compared to thresholds given in section 1.2.
- Equity/total assets ratio was below-average in a range of 5.0% and 8.9% (see section 1.11). The improvement in 2022 showed an improving financial strength of the company. The annual reports do not discuss a CET1 as the division seems to have no banking license.

Table 5 Leasys: key financial data

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Rental margin	Na	177	191	274	314	77.4%
Operating expenses	Na	-77	-84	-98	-91	18.2%
Cost of risk	Na	-10	-13	-15	-18	80.0%
Pre-tax profit	73	90	94	161	204	179.5%
Net profit	85	91	87	123	147	72.9%

€ million	2018	2019	2020	2021	2022	Growth 18-22
Balance sheet and other						
Equity	195	317	251	388	648	232.3%
Total assets	3,079	4,456	5,000	6,583	7,292	136.8%
Fleet value	Na	3,445	3,739	4,789	5,542	60.9%
Fleet managed (million)	0.2232	0.279	0.314	0.363	0.406	81.9%
Ratios						
Return on Equity (before tax, %)	37.4%	35.2%	33.1%	50.4%	39.4%	n.a.
Return on Assets (%)	2.4%	2.4%	2.0%	2.8%	2.9%	n.a.
Pre-tax profit per car (€)	327.1	322.6	299.4	443.5	502.5	53.6%
Equity/total assets (%)	6.3%	7.1%	5.0%	5.9%	8.9%	n.a.

Source: Profundo based on annual reports Leasys. Fee2Move data are not included due to lack of data. 2018 and 2019 numbers have a different scope (company level) in some lines due to reporting by Leasys, while 2020-2022 is on a consolidated level.

1.7 Mercedes-Benz Mobility/Athlon

Athlon is part of the Mercedes-Benz Mobility division. This division reports inconsistently about its financials and number of cars leased or financed. Key observations:

- A volatile pre-tax profit in 2019-2022, while for the broader 2018-2022 period the adjusted EBIT showed a strong 75.4% increase.
- The number of financed/leased cars was only given for 2018 and 2019. The number of fleet contracts, containing Athlon and Daimler Fleet Management, was around 0.4 million (source: various annual reports of Mercedes-Benz Group).
- Pre-tax profit per car cannot be calculated for the full period.
- ROE is volatile, but in total improving towards the end of the period to a level that can be seen as ‘healthy’.
- Equity/total assets ratio was below-average in a range of 7.7% and 9.9% (see section 1.11). The annual reports do not discuss a CET1 as the division seems to have no banking license.

Table 6 Mercedes-Benz/Athlon: key financial data

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Revenue	26,269	28,646	27,699	27,941	26,954	2.6%
Adjusted EBIT	1,384	1,827	1,595	3,449	2,428	75.4%
Pre-tax profit	n.d.	2,131	1,426	3,485	2,424	n.a.
Balance sheet and other						
Equity (year-end)	12,810	14,983	14,135	14,448	13,576	6.0%
Total assets	165,316	174,821	161,265	146,196	142,524	-13.8%
New business	71,927	74,377	67,786	63,631	58,031	-19.3%

€ million	2018	2019	2020	2021	2022	Growth 18-22
New financing, leasing contracts (millions)	n.d.	n.d.	1.8	1.6	1.4	n.a.
Contract volume	154,072	162,843	150,225	133,700	132,400	-14.1%
Number of cars financed/leased	5.2	5.4	n.d.	n.d.	n.d.	n.a.
Ratios						
Return on Equity (%), adjusted (published by Mercedes)	11.10%	13.10%	10.90%	22.0%	16.8%	n.a.
Return on Equity (%)	10.8%*	15.3%	9.8%	24.4%	17.3%	n.a.
Return on Assets (%)	0.8%*	1.3%	0.8%	2.3%	1.7%	n.a.
Pre-tax profit per car (€)	266	395	n.d.	n.d.	n.d.	n.a.
Equity/total assets (%)	7.7%	8.6%	8.8%	9.9%	9.5%	n.a.
Cost of capital, before tax (published by Mercedes)	13.0%	13.0%	12.0%	12.0%	12.0%	n.a.

Source: Profundo based on annual reports Merces-Benz Group; *) pre-tax profit 2018 was not available, therefore 2018 adjusted EBIT is used for this calculation.

1.8 Mobilize Financial Services

Key observations:

- A decline in pre-tax profit from 2018 to 2022 and a moderate growth in net banking income.
- The number of total vehicle contracts declined strongly by 28.3% between 2018 and 2022. New finances (the value of new contracts) declined by 12.7%.
- In this environment, pre-tax profit per car grew by 20.2% in four years' time.
- ROE shows a decline from 2018 to 2022, but the 16.8% is still a sound number and above a cost of capital of 12% (mentioned by Mercedes for its Mobility division).
- Equity/total assets remained relatively stable in the context of the shrinking performance of the company. The CET1 is 14.5% in 2022, well ahead of the required 10.7%.

Table 7 Mobilize Financial Services: key financial data

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Net banking income	1,930	2,096	1,955	1,828	2,045	6.0%
Operating expenses	-575	-603	-600	-576	-642	11.7%
Cost of risk	-145	-177	-353	-62	-195	34.5%
Operating profit	1,210	1,316	1,002	1,190	1,208	-0.2%
Pre-tax profit	1,215	1,327	1,003	1,194	1,050	-13.6%
Balance sheet and other						
Equity	5,307	5,649	6,273	6,222	6,310	18.9%

€ million	2018	2019	2020	2021	2022	Growth 18-22
Total assets	53,394	58,080	58,886	56,236	60,424	13.2%
New finances	20,565	21,055	17,381	17,373	17,953	-12.7%
Total vehicle contracts (million)	1.66	1.67	1.36	1.28	1.20	-28.1%
Ratios						
Return on Equity (before tax, %)	24.2%	24.2%	16.8%	19.1%	16.8%	n.a.
Return on Assets (%)	2.4%	2.4%	1.7%	2.1%	1.8%	n.a.
Pre-tax profit per car (€)	731.0	796.5	736.4	935.0	878.7	20.2%
Equity/total assets (%)	9.9%	9.7%	10.7%	11.1%	10.4%	n.a.

Source: Profundo based on annual reports Mobilize Financial Services/RCI Banque SA.

1.9 Volkswagen Financial Services

The division publishes its numbers in two different ways in its annual report. In the financial accounts' segment of the annual reports, the revenue, operating profit and pre-tax profit numbers are slightly higher than in the text part of the annual report. Both are presented here, and both confirm that the segment is profitable based on ROE and based on profits per car. Key observations:

- In 2018-2022, revenue has grown by 34.7%, and pre-tax profit by 112.0% (management discussion) and 100.7% (financial accounts).
- The number of lease contracts increased by 28.1% from 2018 to 2022 and became a larger share of the total number of contracts (from 21.4% to 25.3%).
- ROE has increased substantially from 10.0% in 2018 to 15.4% in 2022.
- Equity/total assets ratio improved from 12.7% to 15.9% and is ahead of the average of the group (see section 1.11). No CET1 is discussed.
- The annual reports (management discussion section) publish total contracts, which are the basis of the financial results of Volkswagen Financial Services, and a separate number for lease contracts. As the company does not provide separate financial accounts for the lease business, Profundo has derived a proforma profit & loss account for the lease business based on lease contracts' share in total number of contracts. Through this analysis, a pre-tax profit per lease contract was calculated at between € 128 in 2018 and € 251 in 2022.

Table 8 Volkswagen Financial Services: key financial data

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Management discussion						
Revenue	32,815	38,000	38,600	41,698	44,200	34.7%
Operating result	2,612	2,960	2,803	5,672	5,602	114.5%
Pre-tax earnings	2,600	2,968	2,577	5,628	5,513	112.0%
Segment reporting Financial Accounts						

€ million	2018	2019	2020	2021	2022	Growth 18-22
Revenue including intersegment	34,782	40,160	40,778	43,963	46,847	34.7%
Operating result (including exceptional)	2,793	3,212	3,012	6,045	5,656	102.5%
Pre-tax earnings	2,781	3,219	2,776	5,980	5,581	100.7%
Balance sheet and other						
Equity	26,298	28,428	29,406	33,381	38,257	45.5%
Liabilities	174,255	187,092	187,545	192,407	190,477	9.3%
Total assets	207,629	223,536	225,608	235,620	240,042	15.6%
Lease assets	40,317	47,222	49,653	57,276	57,906	43.6%
Number of new contracts (million)	8.0	8.5	7.9	7.8	7.8	-2.8%
Number of contracts (million)	20.29	21.5	21.91	22.03	21.98	8.3%
of which leasing	4.34	4.62	4.69	6.16	5.56	28.1%
% leasing	21.4%	21.5%	21.4%	27.9%	25.3%	
Ratios - management discussion						
Equity ratio (%)	1270.0%	12.7%	13.0%	14.2%	15.9%	n.a.
RoE (before tax, %)	10.0%	10.8%	8.9%	17.9%	15.4%	n.a.
Return on Assets (%) (Profundo)	1.3%	1.4%	1.2%	2.5%	2.4%	n.a.
Proforma lease activities						
Lease contracts as % of total	21.4%	21.5%	21.4%	27.9%	25.3%	
Pre-tax profit lease (€ million)	556	638	552	1,573	1,395	150.8%
Lease contracts (million)	4.34	4.62	4.69	6.16	5.56	28.1%
Pre-tax profit per lease contract (€)	128.1	138.0	117.6	255.5	250.8	95.7%

Source: Profundo, Volkswagen Group annual reports.

1.10 Leaseurope

Leaseurope is an umbrella federation representing more than 40 national member associations in more than 30 countries, covering roughly 91% of the European leasing and automotive rental market. The "Leaseurope Index Results: Q1 2023" publication is a sample of 20 major European lessors[14] and provides the most recent data on year 2022. A material part of the data is based on car leasing. Of lease companies, 80%[15] are (partly) owned by banks and usually fall under the bank supervision by the European Central Bank or a national competent authority.

In its "Key facts & figures publication 2021", Leaseurope said it brought together 44 member associations in 31 European countries representing the leasing, long term and/or short term automotive rental industries. The portfolio of leased assets (outstandings) in Europe reached €662.5 billion at the end of 2021. Of 'new' leasing volumes, 53% were passenger cars, 19% commercial vehicles, 3% real estate and 25% equipment.[16] The "Leaseurope Index Segment Survey 2021" added that of the total outstanding portfolio reported, 38% was in passenger cars and 7% in commercial vehicles (the rest: 41% in equipment, and 14% in real estate).[17] With 38% of the total, the passenger car lease portfolio would be € 252 billion and commercial vehicles € 46 million. This is roughly in line with the numbers given by Technavio, which indicates that the size of the European vehicle leasing market in 2017 was USD 305 billion (€ 270 billion).[18] Note that there are scope differences (countries) and different periods (2021 versus 2017).

The "Leaseurope Index Segment Survey 2021" provides other specific data on car lease. It reports the return on Assets (ROA) for passenger cars and commercial light vehicles, and of commercial vehicle on an annual basis (scope: the consolidated figures for the entire European activities of the participating companies). Europe is defined in the widest sense as EU27 + EFTA + other countries e.g., the United Kingdom, Turkey, Ukraine, Serbia, Croatia etc. [19] However, this data is not available for 2022 (see table below). After a decline in the return until 2020, the ratios improved sharply in 2021. Leaseurope emphasized the recent profitability and the resilience of profitability in recent years.[20]

Table 9 Leaseurope: key data on lease companies including car lease

€ million	2018	2019	2020	2021	2022	Growth 18-22
Profit & Loss						
Operating income	9,361	9,642	9,425	10,817	12,840	37.2%
Operating expenses	-4,597	-4,804	-4,763	-5,014	-5,424	18.0%
Pre-tax profits	4,053	3,733	2,754	5,227	6,939	71.2%
Balance sheet and other						
Risk weighted assets	167,535	174,571	171,115	173,041	181,819	8.5%
Portfolio	244,056	256,259	253,226	259,881	266,650	9.3%
New business	100,812	105,651	92,756	102,473	106,178	5.3%
Ratios						
Return on Assets (pre-tax profit as % of portfolio)	n.d.	1.5%	1.1%	2.0%	2.6%	n.a.
Return on Assets (%) passenger cars and light commercial vehicles	1.6%	1.3%	0.9%	1.9%	n.d.	n.a.
Return on Assets (%) commercial vehicles	1.4%	0.9%	0.1%	1.1%	n.d.	n.a.

Source: Leaseurope; 20 companies participate on a voluntary basis: ABN AMRO Asset Based Finance N.V., ALD Automotive, Aldermore, Arval, BNP Paribas Leasing Solutions, Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Novuna, Iccrea BancaImpresa, ING Lease, Investec, Lombard, LeasePlan, Nordea Finance, Siemens Financial Services, Société Générale Equipment Finance, Alba Leasing, UniCredit Leasing, Xerox Financial Services Europe

1.11 Summary of outcomes

1.11.1 Volume of vehicles

The total number of lease/financed cars or vehicles or contracts showed a moderate growth of 4.8% for the group to 17.4 million (excluding Mercedes-Benz/Athlon). Four companies showed positive growth rates, three lease companies had negative growth.

Table 10 Number of leased/financed cars/vehicles or contracts

Million	2018	2019	2020	2021	2022	Growth 18-22
ALD	1.7	1.8	1.8	1.8	1.8	8.9%
Alphabet/BMW Financial Services	5.7	5.5	5.6	5.6	5.2	-8.6%
Arval	1.2	1.3	1.4	1.5	1.6	33.4%
LeasePlan	1.8	1.9	1.9	1.8	1.6	-11.1%
Leasys	0.2	0.3	0.3	0.4	0.4	81.9%
Mercedes-Benz Mobility/Athlon	5.2	5.4				
Mobilize Financial Services	1.7	1.7	1.4	1.3	1.2	-28.1%
Volkswagen Financial Services	4.3	4.6	4.7	6.2	5.6	28.1%
Total (excluding Mercedes-Benz M.)	16.6	17.0	17.0	18.4	17.4	4.8%
Total (excluding Mercedes-Benz M. and LeasePlan)*	14.8	15.1	15.1	16.6	15.8	6.7%

Source: Preceding company tables in the report; *) The line excluding also LeasePlan is added to compare it to the next table.

1.11.2 Pre-tax profit

Meanwhile, the pre-tax profit of the group (excluding LeasePlan) increased strongly by 82.3% (from 2018 to 2022). Except for Mobilize, all other companies showed a strong growth in earnings. Note that this growth number is ahead of the 71.2% observed by Leaseurope, and that there are scope differences: Leaseurope numbers include other activities like equipment and real estate, while the financial data of the eight lease companies investigated in the current report includes, in some cases, financed cars on top of leases.

In Table 10 and Table 11 two additional lines have been added, excluding both Mercedes-Benz Mobility and LeasePlan. Then, on the same basis, fleet growth was 6.7% and pre-tax profit growth 83.6% between 2018 and 2022.

Table 11 Pre-tax profit of the eight companies

€ million	2018	2019	2020	2021	2022	Growth 18-22
ALD	689	693	615	1119	1651	139.6%
Alphabet/BMW Financial Services	2,161	2,272	1,725	3,753	3,205	48.3%
Arval	496	565	578	911	1,662	235.1%
LeasePlan	n.d.	n.d.	341	940	1,815	n.a.
Leasys	73	90	94	161	204	179.5%
Mercedes-Benz Mobility/Athlon	1,384	2,131	1,426	3,485	2,424	13.7%
Mobilize Financial Services	1,215	1,327	1,003	1,194	1,050	-13.6%
Volkswagen Financial Services	2,600	2,968	2,577	5,628	5,513	112.0%
Total (excluding LeasePlan)	8,618	10,046	8,018	16,251	15,709	82.3%
Total (excluding LeasePlan + Mercedes-B M.)*	7,234	7,915	6,592	12,766	13,285	83.6%
Leaseurope outcome	4,053	3,733	2,754	5,227	6,939	71.2%

Source: Preceding company tables in the report + Leaseurope table; *) This line is added to compare it to the preceding table

1.11.3 Pre-tax profit per car

As a consequence, the pre-tax profit per car increased significantly by 75.5% in four years' time. All companies showed strong increases. This might be due to scope changes.

Table 12 Pre-tax profit per car of the eight companies (nominal value)

€	2018	2019	2020	2021	2022	Growth 18-22
ALD	415.1	391.5	349.4	621.7	913.7	120.1%
Alphabet/BMW Financial Services	337.7	366.0	274.0	598.0	542.2	60.6%
Arval	415.8	435.6	418.8	619.7	1044.0	151.1%
LeasePlan	n.d.	n.d.	179.5	522.2	1,134.4	n.a.
Leasys	327.1	322.6	299.4	443.5	502.5	53.6%
Mercedes-Benz Mobility/Athlon	266.2	394.6	n.d.	n.d.	n.d.	n.a.
Mobilize Financial Services	731.0	796.5	736.4	935.0	878.7	20.2%
Volkswagen Financial Services	128.1	138.0	117.6	255.5	250.8	95.7%
Average (excl. LeasePlan and Mercedes)	392.5	408.4	365.9	578.9	688.6	75.5%

Source: Preceding company tables in the report.

These numbers can be translated into a lease period of 3.5-years, adjusted for inflation.

As a first step, the numbers of the years before 2022 have been adjusted for inflation (2019: 1.47%, 2020: 0.74%, 2021: 2.9%, and 2022 9.19%[21] and compounded through a compounded average growth rate).

Table 13 Pre-tax profit per car of the eight companies (real value)

€	2018	2019	2020	2021	2022	Growth 18-22
ALD	476.7	443.2	392.6	678.8	913.7	91.7%
Alphabet/BMW Financial Services	387.8	414.3	307.9	652.9	542.2	39.8%
Arval	477.5	493.1	470.6	676.7	1,044.0	118.6%
Leaseplan	n.d.	n.d.	201.7	570.2	1,134.4	n.a.
Leasys	375.6	365.1	336.4	484.3	502.5	33.8%
Mercedes-Benz Mobility/Athlon	305.7	446.7	n.d.	n.d.	n.d.	n.a.
Mobilize Financial Services	839.6	901.6	827.4	1,020.9	878.7	4.6%
Volkswagen Financial Services	147.2	156.3	132.2	278.9	250.8	70.4%
Average (excl. Leaseplan and Mercedes)	450.7	462.2	411.2	632.1	688.6	52.8%

Source: Preceding company tables in the report; *) adjusted for CPI – 2019: 1.47%, 2020: 0.74%, 2021: 2.9%, and 2022 9.19% based on Eurostat

The second step is to average a three-year period and four-year period. Except for Volkswagen Financial Services, all companies generate a profit of between € 1,506 (last column) and € 3,178 per car per average 3.5-year lease period in 2019-2022. Mobilize, which had a decline in profits and the number of cars, showed the highest profit per car. The average for the group was € 1,963 for a 3.5-year period.

Table 14 Pre-tax profit per car per lease period of 3.5 years (real value*)

€	3-year profit	4-year profit	3.5-year
ALD	1,985.1	2,428.2	2,206.7
Alphabet/BMW Financial Services	1,503.0	1,917.4	1,710.2
Arval	2,191.2	2,684.3	2,437.8
LeasePlan	1,906.2	n.d.	n.d.
Leasys	1,323.1	1,688.2	1,505.7
Mercedes-Benz Mobility/Athlon	n.d.	n.d.	n.d.
Mobilize Financial Services	2,727.0	3,628.6	3,177.8
Volkswagen Financial Services	661.9	818.2	740.0
Average (excl. LeasePlan and Mercedes)	1,731.9	2,194.1	1,963.0

Source: Preceding company tables in the report: *) adjusted for CPI – 2019: 1.47%, 2020: 0.74%, 2021: 2.9%, and 2022 9.19% based on Eurostat

1.11.4 Return on equity

The healthy pre-tax profit development of the various companies had a positive impact on the return on equity (ROE). The ROE has consistently moved up for most companies and for the unweighted average. In 2018-2022, the ROE average moved up from 21.2% to 27.2% (see Table 15). For the eight companies this indicates a healthy profitability.

Table 15 Return on equity of the eight companies

%	2018	2019	2020	2021	2022	Change in %-point*
ALD	19.5%	18.0%	15.1%	24.8%	28.1%	8.6%
Alphabet/BMW Financial Services	14.8%	15.0%	11.2%	22.6%	17.9%	3.1%
Arval	31.2%	34.4%	30.7%	39.5%	55.8%	24.6%
LeasePlan			8.2%	21.0%	35.1%	Na
Leasys	37.4%	35.2%	33.1%	50.4%	39.4%	1.9%
Mercedes-Benz Mobility/Athlon	10.8%	15.3%	9.8%	24.4%	17.3%	6.5%
Mobilize Financial Services	24.2%	24.2%	16.8%	19.1%	16.8%	-7.5%
Volkswagen Financial Services	10.0%	10.8%	8.9%	17.9%	15.4%	5.4%
Average (unweighted, excl LeasePlan)	21.1%	21.8%	17.9%	28.4%	27.2%	6.1%

Source: Preceding company tables in the report; last year versus first year.

1.11.5 Return on asset of the eight companies

Although the return on assets ratio (ROA) is less useful to decide on profitability, the following summary table compares the outcome for the various companies and with Leaseurope analysis. The numbers and development are in line with Leaseurope numbers.

Table 16 Return on assets of the eight companies

%	2018	2019	2020	2021	2022	Change in %-point*
ALD	3.1%	2.8%	2.4%	4.3%	5.7%	2.6%
Alphabet/BMW Financial Services	1.5%	1.5%	1.1%	2.5%	2.1%	0.6%
Arval	2.3%	2.5%	2.3%	3.3%	5.0%	2.7%
LeasePlan			1.1%	3.0%	5.4%	4.3%
Leasys	2.4%	2.4%	2.0%	2.8%	2.9%	0.6%
Mercedes-Benz Mobility/Athlon	0.8%	1.3%	0.8%	2.3%	1.7%	0.8%
Mobilize Financial Services	2.4%	2.4%	1.7%	2.1%	1.8%	-0.6%
Volkswagen Financial Services	1.3%	1.4%	1.2%	2.5%	2.4%	1.0%
Average (unweighted, excl LeasePlan)	2.0%	2.0%	1.7%	2.8%	3.1%	1.1%
Leaseurope outcome	n.d.	1.5%	1.1%	2.0%	2.6%	1.1%

Source: Preceding company tables in the report; last year versus first year.

1.11.6 Equity to total assets ratio

Finally, the unweighted average equity to total assets ratio shows a gradual increase from 10.8% to 12.9%. This means that the financial strength on average seems to have improved. As mentioned in section 1.2, two lease companies seem to report to central banks and are required to have a certain minimum Common Equity Tier 1 (CET1) level of 10.7% in 2023. This CET1 is equity divided by 'risk-weighted' assets and thus differs from the equity to total assets ratio here. Total assets is a broader definition of all assets, while risk-weighted specifies certain assets and gives a weight to them from 0% (cash) to 100%. Therefore, the outcomes below emphasize the companies' financial strength. Equity to asset ratios for banks are usually above 5% and might be 15%.[22]

Table 17 Equity to total assets ratio of the eight companies

%	2018	2019	2020	2021	2022	Change in %-point
ALD	15.8%	15.7%	16.7%	18.0%	22.0%	6.2%
Alphabet/BMW Financial Services	10.2%	9.9%	10.5%	11.3%	11.9%	1.7%
Arval	7.4%	6.9%	7.8%	8.7%	9.2%	1.8%
LeasePlan			13.5%	14.8%	16.1%	2.7%
Leasys	6.3%	7.1%	5.0%	5.9%	8.9%	2.6%
Mercedes-Benz Mobility/Athlon	13.0%	13.0%	12.0%	12.0%	12.0%	-1.0%
Mobilize Financial Services	9.9%	9.7%	10.7%	11.1%	10.4%	0.5%
Volkswagen Financial Services	12.7%	12.7%	13.0%	14.2%	15.9%	3.3%
Average (unweighted, excl LeasePlan)	10.8%	10.7%	10.8%	11.6%	12.9%	2.2%

Source: Preceding company tables in the report.

2

Prospects

This section investigates the prospects of the European car leasing industry, from a broad perspective, to understand whether profits and revenues are expected to change dramatically. The conclusion is that the business dynamics that were seen in the last few years are not expected to experience a material change. The energy transition is a challenge as well as an opportunity, while car lease might gain share versus the ownership model. In the short- to medium term, higher interest expenses could have a negative impact on profits.

2.1 Introduction

In this section, expectations by the car lease sector are investigated for the coming years. The focus is on material changes in the market rather than on specific changes in individual companies. Statements of other relevant stakeholders are also investigated.

2.2 Recent comments by the car lease industry

At the end of July 2023, Leaseurope presented 1Q23 results which showed continued growth. New leasing volume was up by 12.3% YoY (to €25.1 billion), with the outstanding portfolio growing by 2.5%. In 1Q23, pre-tax profit increased 14.1% YoY on an operating income growth of 7.4%. Operational expenses increased 3.0%, and the loan loss provisions declined by 44% YoY. In this Leaseurope publication, the European leasing industry showed “resilience in the first quarter” of 2023, with further growth in new business volume and portfolios. Operating income and profitability continued to increase, despite inflation and higher interest rates. For the period ahead, the report pointed to ongoing uncertainties which might lead to weaker economic conditions. However, “the energy transition initiatives present an opportunity for further investment growth, particularly in the domains of electric vehicles and greener assets.”[23] In an interview in October 2023, Leaseurope re-iterated that the energy transition is “an opportunity as well as a challenge”.[24]

ALD LeasePlan expects the favourably supply/demand situation in the used car market will last until mid-2024 to last instead of end of 2023, longer than previously anticipated.[25] In 1H23, 19% of its gross operating income came from used car sales result versus 35% in 1H22.

In 1H23 Alphabet/BMW Financial Services showed stable revenues and slightly lower profits due to higher financing costs. Alphabet showed stable fleet volumes at 0.7 million. The ROE in Financial Services is expected to finish 2023 in the range of 16-19%, with favourable expectations of ‘remarketing’ lease[26] (= selling cars to the second-hand market).

Arval, part of the BNP Paribas Group, acquired new subsidiaries in 2023 and has confidence for 2023 based on its position within the group.[27] In a presentation in September 2023, Arval emphasized its “long track record of profitable operations”, its “strong resilience during the covid crisis”, its “strong earnings visibility”, and its high credit ratings. Furthermore, it targets a ROE of 30% in 2025, it sees no major changes in the industry growth drivers and expects continued strong growth in the private lease segment.[28]

Leasys sees an attractive future market: long-term rental “has been a driving force for the market, establishing itself both as a viable alternative to buying (in line with the wider trend of ‘disownership') and the ideal solution for individuals and companies wishing to try out the new hybrid and electric engines while also reducing the risks of costs and unforeseen contingencies". The company sees excellent opportunities to acquire companies and ample room for growth.[29] The company is confident its fleet "will reach one million vehicles by 2026, increasing its value by 50%".[30]

Mercedes-Benz Mobility expects a slight decrease in contract volume and a slight increase in new business in 2023. Revenues are expected to be significantly lower.[31]

Mobilize says in its latest financial report that it "continues to develop a panel of offers to benefit from the growth of the market for long-term rental and reach a fleet of one million vehicles by 2030".[32]

Volkswagen Financial Services saw its 3Q23 revenues increase by 8% year-to-date, with operating profit down 40%. This was due to higher interest expenses and adverse exchange rate trends.[33] In February 2023, management expected a strong increase in revenues and an operating profit in the range of € 3.5 billion (2022: € 5.6 billion).[34]

Market research published by Technavio expects that in 2022-2027 the European vehicle leasing market will growth by 4.5% per year, or by USD 90.9 billion in total.[35]

2.3 Conclusion

The business dynamics and revenue growth factors of the last few years are not expected to experience a material change. The energy transition is a challenge as well as an opportunity, while car lease might gain share versus the ownership model. In the short- to medium term, higher interest expenses could have a negative impact on profits.

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