



Dear Shareholders,

In August of last year, we celebrated our 10<sup>th</sup> anniversary. The first 10 years of our journey were exceptional in many ways: we created a platform that has changed the way our market operates, providing our customer base of consumers and dealers with great value. We launched products on our platform with the constant aim to create exceptional experiences. By today, they have served millions of customers. And we assembled a team of outstanding talent, propelling us from zero to market leader by applying their smartness, dedication, and determination for success every single day.

I could not be prouder of what our team has achieved over the last decade. And I could not be more excited about the next 10 years of our journey. Although we have been growing our business massively since 2012, it still feels like we just started.

#### *A review of 2022*

Last year was remarkable for us. If we take an outside/market view, the year started strong, continuing its momentum from Q4 2021. Used car prices continued to climb and it looked like the market was set for further growth. This trend lasted for 51 days only, exactly until the start of the Ukraine war generated a high amount of uncertainty for our customers pretty much overnight. At the same time, inflation pressure for Europeans continued to increase from an already high level, reducing their purchasing power. Potential buyers started to delay their purchase decisions, in part due to high uncertainty combined with further increased prices - and in part because the car they own had now become a value-**appreciating** asset. Never in the history of this 100+ year old market had used cars gained in value. Many Europeans decided to keep their car as a hedge against inflation.

Lack of supply meant that used car prices continued to move up gradually over the course of the year, exacerbating the effects described: Higher prices were leading to decreasing demand over the course of the year until something astonishing happened in Q4: Prices suddenly dropped. While we had been expecting a gradual price decline, instead we were faced with a fast drop, erasing the used car price increases of more than one year within a couple of weeks.

On top of the highly volatile price environment throughout the last year, the transport market for cars suffered from supply shortages. Capacities had been reduced as a consequence of lower new car sales during the pandemic, which meant infrastructure, trucks and drivers were let go. A sudden catch-up of new car vehicle deliveries in Q4 led to a full blown crisis in the transport market: Spot-prices for immediate capacity increased in some cases fourfold from where they had been, leading manufacturers to block capacities exclusively for themselves.

Nonetheless: We just **love** challenges and solving complex problems; it's part of everybody's DNA at AUTO1. The above mentioned extraordinary developments led the European used car market to shrink well below its 2016 volume with just 26.1 million transactions. But the way our team dealt with the challenges and unprecedented volatility earns them my highest respect.

The complex environment has not changed our strategic goals. We dealt with the market situation around us while continuing to execute our plans with full determination. We made reaching profitability on an adjusted EBITDA base a key goal by the start of Q3 last year while continuing to lay the foundation for accelerated growth in the years to come.

Our customer-centric strategy and the ground-breaking platform we built helped us navigate 2022 well:

- Market Share grew to 2.5% of all European Used Cars sold, up 19% year over year
- Total Revenue grew to EUR 6.534 Billion, up 37% year over year
- Retail Revenue crossed the EUR 1 Billion mark, growing 83% year over year
- Total Gross Profit grew to EUR 488 Million, up 13% year over year
- Retail Gross Profit grew to EUR 70.2 Million, up 369% year over year
- Retail Units Sold grew to 64,164, up 55% year over year
- Both Q3 and Q4 adj. EBITDA show each more than EUR 10 Million improvement in profitability versus Q1 and Q2
- Retail Marketing Cost per Unit reduced to EUR 900 in Q4, down 68% year over year
- NPS grew to 70, up 9 points year over year

We continued to make bold investments in all areas:

- We expanded our internal production capacity by 57.000 to 147.400 maximum units per annum with the addition of our production centers in Italy, Belgium, Germany and the Netherlands
- We grew the share of cars refurbished internally from 6% in January to 54% in December
- We increased the number of Autohero Retail trucks on the road by 86% to 164 to best serve our quickly growing number of Retail customers
- Brand awareness for Autohero grew to 20% of all Europeans 18-64 in our Retail markets, up 66% year over year
- Brand awareness for our Sell-Only Brands increased to 44% of all Europeans 18-64 in our Sell-Only markets, up 10% year over year
- Autopricing-Share increased to 83% for Sell-Only, up 38% year over year
- Our consumer financing portfolio in Germany and Austria grew to EUR 185 Million, up 277% year over year

### *2023 and beyond*

We could not be more excited about our business in 2023. The full team is extremely motivated and hardworking to make this year another success. This year, we will concentrate on increasing our stock

turns across all business units, as higher turns will lead to more growth and satisfied customers. We will start to expand our Sell-Only Networks with the aim to make our product even more convenient. We will work hard to increase Seller-Success in Remarketing, transforming our offering into the marketplace with the best possible experience. And we will continue our journey of reducing Retail unit costs fueled by increasing adoption of our offering while delivering the best possible experience.

We believe that, by now, we have all the building blocks in place to transition the used car market to online sales at a fast pace, pulling more and more transactions onto our platform by providing our customers with constant great value. The launch, scaling and success of our retail offering under the Autohero-Brand was an important latest addition to our product strategy, as it enables us to sell to end consumers directly. Together with our Sell-Only-, Remarketing and AUTO1.com Wholesale-offering we believe we have now completed a powerful trade system that is able to generate strong network effects and high market share growth.

The combination of those four products on one single platform makes each of them stronger in a variety of ways: Each product contributes pricing and sales data into our central Autopricing-Algorithms, increasing their precision and coverage steadily. Remarketing-Sellers may now benefit from the increased price levels for Retail cars, for example, while Retail and Remarketing volumes increase the utilization of our European Logistics network, leading to lower transport prices. Retail customers can benefit from great trade-in prices because of our large Sell-Only Business. These are just a few of our platform network effects.

Why should you be excited about this as a shareholder of AUTO1 Group?

Because you are owning a share of a **unique platform** that has the power to transform one of the largest markets in the world. We are convinced that we will multiply our market share in the years to come, because of the value that we generate for our customers, our constant commitment to innovation and the highly talented team that runs our platform. I still remember how one investor years ago was astonished by the huge size of our market and its poor experiences. He told me: “You will never run out of market, you will rather run out of energy.” I looked at him, smiled and replied: “We won’t run out of energy.”

I would like to thank all our customers for their business and trust in us, our team for all the hard work they put in, and our shareholders for their continued support.

Christian Bertermann  
Co-Founder and Chief Executive Officer  
AUTO1 Group SE

PS: I append my first shareholder letter 2021 hereafter for everyone who would like to know more and understand the history, rationale and potential of our business.



Dear Shareholders,

By raising circa EUR 750 million growth equity at our IPO in February of last year, we set out to leverage our technology, logistics and branding strengths to invest for a massive prize: creating the leader in the EUR 600 billion used car market in Europe, in which we believe online buying will become the dominant transaction in the future.

Equity Markets have been brutal for technology companies over the last couple of months, and certainly for AUTO1 Group shareholders. Nevertheless, by almost any measure, AUTO1 is in a stronger position today than at any time in the past:

- **Total Units sold grew to 597,000, up 30.5% year over year**
- **Total Revenue grew to EUR 4.775 billion, up 68.7% year over year**
- **Total Gross profit grew to EUR 430.9 million, up 50.7% year over year**
- **Retail Units sold grew to 41,400, up 307.6% year over year**
- **NPS for Autohero grew 16 points to 69, from 53 in March 2021**
- **Contribution for our Merchant segment was EUR 125 million**
- **Cash and cash equivalents were EUR 721 million, up EUR 564 million year over year thanks to our successful IPO in February 2021**

As this is my first letter to you, let's take a step back. When we founded AUTO1 in 2012, we were immediately fascinated by the opportunity we had in front of us: Digitizing the EUR 600 billion European used car industry. Everything that we learned about this market seemed to be old-school: Transactions would almost always involve phone calls, emails, vast amounts of time on buy and sell side and an omnipresent level of uncertainty around price and quality. This led to poor customer experiences everywhere: dealers had a hard time finding the right supply in the right quality and quantity and customers did not enjoy buying a car, often presented with long travel, substantial differences between advertised and real condition of the car and general mistrust towards dealerships. We believed (and do even more so today) that thinking in digital systems built with the aim to excel in customer experiences can radically change the currently fragmented market structure, presenting a significant economic opportunity.

We started with the sell side. We built an easy and free way for customers to evaluate the current market price of their car online and provided an opportunity to drop it off at a location close to their home. These privately owned cars became the inflow side of our AUTO1.com market platform. We started to show our inventory to more and more dealers across Europe and were quickly surprised by the strong demand we were seeing. We had found a segment of cars that, in difference to ex-lease and rental cars, dealers were having a hard time finding in scalable amounts.

As of today we have purchased and sold more than 3 million cars from private customers, and we are the number one car trader in the European Union. Was this business easy to build? No. To get us to the top of this market, we had to master countless challenges and had to build numerous skillsets over the years:

The largest learnings were certainly on the price side. Thinking of AUTO1 as a digital (trade) system, we designed our data and pricing models with the ambition in mind to price fully automatic. After 10 years, we can automatically price more than 60% of all cars presented to us. We believe that it will take us less than 3 years to get to 95% from where we are today. We think that our ability to automatically price cars will put us in a position to grow faster than our competitors and commit fewer pricing mistakes, which in turn leads to higher future profitability.

Our relentless focus on customer experience differentiates us from many of our competitors. We believe that providing excellent customer experiences will allow us to build one of the strongest brands in this industry, where the importance of customer happiness and brand is traditionally being undervalued. We think that the absence of well known brands in our industry explains the fragmented nature of the used car business to a large degree. We are convinced that the stronger our brand is, the larger and more profitable our business will become.

To continuously satisfy our customers, we needed to develop a cost efficient and scalable logistic infrastructure. Cars are special assets - they are large and come with a range of documents that need to arrive together with them. We designed a network of more than 530 branches, logistic centers and delivery hubs that allow us to move cars quickly across Europe. As of today, our network is collecting and delivering close to 1 million cars per year, with an average delivery time to our dealer partners of 9 working days. We believe that the cheaper and faster our transport network will become, the more market share we will be able to gain and the better we will be in leveraging price differences across markets.

To finance our growing inventory, we closed our first asset backed loan (ABL) in 2015, providing us with EUR 35 million of debt financing. 12 months later we were able to expand that facility to EUR 125 million. In 2019, we extended our ABL to EUR 260 million and then transformed it one year later into a EUR 485 million non-recourse, rated asset backed securitization (ABS). Finally, we upsized our ABS to EUR 1 billion just a month ago. We regard our debt financing facilities as a strong competitive advantage and key ingredient for profitable growth.

We estimate that by the end of last year, our Merchant business supplied close to 2% of all units retailed in the European Union to our partner dealers. We will celebrate our 10<sup>th</sup> anniversary this year, but believe we have only barely started our journey to digitize this gigantic industry vertical. We are convinced that higher shares of automatically priced cars in our Merchant business will unlock substantial amounts of future growth in that segment. We expect our Remarketing Business Unit will contribute strongly to our overall Merchant and Retail business growth and EU-wide sourcing potential in the future.

What makes us proud is that our Merchant business contributed EUR 125 million of segment profitability to our group result before headquarter costs last year. It was important for us to prove that the business we have built over the last decade is profitable after all those years of investment. For the first time, our full business broke even in Q1 2020, then again in Q3 2020 on an adjusted EBITDA basis. Since then, our profitability in the Merchant business has been offset by heavy investments into the buy side, our retail business.

Our rationale for going into retail is the same as 10 years ago, when we started the consumer selling business: Buying a car offline is an unpleasant experience.

Most customers start by browsing their markets' one or two classifieds, which is a searchable online list of cars available for sale. Having found an ad that fits their requirements, they can then either call the merchant or write an email. They need to explain which car they are interested in, ask if it's still available and schedule a visit. Next, customers must travel physically to the car of interest to judge its condition. Often, car dealers are not close to the customer's location, so travel time is substantial. Once arrived, you are typically given 10-15 minutes to assess the quality of your next car. Even for a professional car buyer, this is not a lot of time. Should you not like the real condition of the car versus the advertising pictures you have seen online, your visit was for nothing. Then you need to start all over, again. Deciding for a car on the spot does however not mean that you can take it with you. The car must be registered in your name, often receive a fresh service, you need to get a temporary insurance number and of course pay for the car, where some dealers prefer cash over electronic transfers. In other words, you need to return home after you have decided for your next car, then wait until all the above is sorted out, and then travel to the dealership again to finally pick up your car.

We think the future of the car transaction looks different. We believe that by offering our customers the opportunity to buy their next car online, we provide a greater, desirable experience that is superior to buying offline in every way.

Our Autohero-Store offers already today close to 15,000 cars to choose from. This is a much larger amount of choice than you would have at an average European offline dealership, which we estimate to be around 150. We can present such a large number of cars to our customers without any offline presence, because we store them in the huge compounds that are part of our logistics network. This is a key advantage when scaling our offering and increasing profitability over time: we are not bound to expensive retail locations close to cities that need to be easy to reach.

We believe that a key feature of our offering is that all cars have been inspected and photographed in the exact same way and that they show the condition of the car down to the smallest detail. In our store you can browse cars as if you had traveled to us: You can experience the interior and exterior of your car from all angles in the same light condition (without any weather impact). With a feature called Imperfections, our store is showing you signs of usage (e.g., stone chips, scratches) that are typical for used cars which when buying offline, you usually only find at home. We are investing heavily into the

presentation of our cars because we believe that meeting our customers' expectations with the car that we deliver to them is a key ingredient of our strong customer satisfaction scores.

In our store, you can buy cars 24/7. We believe that this is a key element of our future growth and profitability in retail. As an offline dealership you are bound to opening hours, which means that you will not be able to capture all demand at all times. You will lose demand when your employees are on a lunch break or ill and you will convert less of your incoming demand when your employees are not fully motivated. You will also lose demand as an offline dealership if the customer's travel time to the dealer's location is too far or there is no convenient way to get there fast. If you like a car in our Autohero-Store, you just add it to the checkout and pay for it (of course electronically).

We then deliver your new car to your doorstep, where it will arrive safely, clean and protected from any weather impact in one of our unique glass trucks. Your car comes with a 14-day return policy or in other words: You can test drive your new car for two weeks and still give it back. Our return rates, however, are below 3%. In our view, this is the most convenient way to buy a car and it is superior to buying a car offline in every way. Our customers rated the Autohero-Store and delivery experience with a net promoter score of 69 for February 2022.

We are convinced that buying online will be *the* dominant way of buying in the future. Roughly 35% of Europeans in our 9 Autohero markets are already considering buying their next car online, market research that we carried out together with our partner YouGov over the course of Q3 last year showed. In an internal survey of more than 6.000 recent Autohero customers, 75% stated that they are likely or very likely to purchase their next car online again.

As a result of the transition to the online world, the competitive landscape will change. A successful online retailer will be able to capture a much larger market share than any traditional offline dealership, while delivering superior profitability at scale. We aim to be that company and because of that, pursue the online opportunity to the fullest.

We believe that we can take a large share of this market over time for the following reasons:

- Our store is open 365 days a year, 24 hours a day, able to always serve all incoming demand
- Our store has no physical constraints on inventory because we don't need to present our cars in expensive showrooms
- Our store will sell cars faster than a human sales representative, because it helps you find the right car quickly and always keeps you up to date on your transaction
- Our store will enjoy growing demand over time, because it delivers the car to you and does not require you to travel

We believe that we can deliver superior profitability at scale for the following reasons:

- We will commit less pricing errors than an average dealership by using our automatic pricing technology in retail, leading to higher car gross profit per unit
- The strength of our brand will allow us to take a premium over the market price of a car over time
- Our sales cost per car will be lower than at a traditional dealership because our store can sell cars without human aid
- Our combined logistics cost per unit will be lower than a traditional dealership's store occupancy cost per unit at scale
- Our refurbishment cost per unit will be lower than at traditional dealerships because we will enjoy economies of scale in our large-scale refurbishment centers over time

On our journey to build that online retailer, we literally have just started. We learned so much about our business and our customers in retail over the last year – but it feels like there is so much more to learn. We are investing heavily into the following areas in 2022 on our path to that large-scale, profitable retailer:

- The selection of cars in our store needs to fit the demand of our customers perfectly, driving up the number of cars sold for the same amount of sessions
- Cars selected for retail need to be priced fully automatically
- Marketing needs to lower as a percentage of revenue over time, while the share of organic traffic needs to increase continuously
- NPS needs to remain at the already high levels we reach and grow further
- Our internal and external refurbishment costs need to reduce further step by step and the share of internal refurbishment needs to grow
- Delivery time to customers needs to improve step by step, driving up sales conversion
- The number of human touch points per car delivered needs to reduce over time

Today, AUTO1 Group is a unique asset. Our team is incredibly talented and hard working to execute on our path towards market leadership and profitability. We have the data, the systems, the brand, the customer relationships, the fulfillment network, the financial strength, the experience, and the dedication to realize our vision of AUTO1, a profitable market leader.

We thank all our customers for the trust they place in us, everyone for the hard work they put in and our investors for their continued support and advice.

Christian Bertermann  
Co-Founder and Chief Executive Officer  
AUTO1 Group SE