Turners. Automotive Group

TURNERS GROWS FIRST HALF PRE-TAX PROFITS BY 21%

Turners Automotive Group Results for the six months ended 30 September 2017

Integrated automotive financial services group, Turners Automotive Group Limited (NZX/ASX: TRA), has reported a 44% increase in revenue and a 21% increase in pre-tax profit growth for the six months as it benefits from growing retail sales, an increasing loan book and a scaled up insurance business.

Revenue was $163.8m for the six months (HY17: $113.9m), while Net Profit Before Tax (NBPT) increased to $14.2m (HY17: $11.8m). Net Profit After Tax was $10.0m, up 18% on the previous half year (HY17: $8.5m).

All divisions delivered improvements in revenue and operating profit, with Buy Right Cars and the Autosure insurance business both contributing a full six months of earnings, following their acquisition in FY17.

Shareholder equity increased to $200.8m as at 30 September 2017, boosted by the $25m capital placement completed in September 2017.

The Board has declared a fully imputed dividend of 3.0 cents per share (cps) for Q2, taking total dividends for the half year to 6.0 cps (HY17: 6 cps).

Turners CEO, Todd Hunter, commented: “Turners has reported another positive half year of growth and, while some softening in the used vehicle market was seen during the election period, overall market trends are positive and growth prospects remain strong. We are continuing to benefit from our vertically integrated business model. Finance receivables are growing strongly, as are insurance premiums, both on the back of increasing used vehicle sales.

“We are continuing to innovate with the development and launch of new products and services designed to deliver a superior customer experience. While the market is incredibly fragmented and competition is active, we believe we have unique attributes and competitive advantages which position us well for continuing growth into the future.

“An uplift is expected in the second half in line with annual trends and due to the positive impact of the growing finance book and as scale benefits are realised.”

The company is on track to deliver a Net Profit Before Tax of between $29 million and $31 million for the full year to 31 March 2018. This would represent an 18% to 26% increase on FY17, or 10% to 14% excluding acquisitions.

Turners.
Automotive Group

TRADING PERFORMANCE

Automotive and Retail

Automotive Retail revenue was up 32% to $113.5m and operating profit was up 27% to $8.8m with a full half contribution from Buy Right Cars.

Turners' focus on retail customers continues, and sales to end users were 72% of all car purchases in the first half (HY16: 64%). These sales deliver higher margins and provide more opportunities to sell finance and insurance products. Finance contracts written increased by 23% and sales of mechanical breakdown insurance policies increased by 22% over the corresponding period last year.

The usual seasonal dip in trading margins has been longer and stronger this year, due to the increased supply of new and used import vehicles and increasing competition.

Investment is continuing in purpose built sites in targeted locations for the Auto Retail Division. Two new Trucks & Machinery sites in Wiri and Palmerston North are now operational, and an additional site is being developed in Hamilton. A new Turners Cars site is being developed in Porirua and a new site has just been acquired in Whangarei. A new Buy Right cars site is also under development in Penrose, adjacent to the main site in Auckland.

Management are continuing to progress the opportunity of providing service, repairs and maintenance by leveraging Autosure's relationship with over 1,500 repairers, and enabling these services to be provided in a more cost effective and more convenient way. This fits well within Turners' integrated model.

Finance and Insurance

Finance

Finance revenue was up 39% to 17.8m while operating profit was up 12% to $5.5m. Turners finance book continues to expand. Total finance receivables have grown strongly to $269m at the end of September 2017, and were up 30% since March 2017. Funding of new receivables is now primarily through securitisation and approximately 75% of the funds from the recent equity raise will also be used to support the growth of the finance book.

Management are focused on maximising growth opportunities and improving the quality of lending and collections efforts. Consolidation of the finance brands into one operating entity – Oxford Finance – is progressing well and will be completed by the start of FY19.

Insurance

The Autosure business has provided the scale required for Turners to operate competitively and efficiently in the automotive insurance sector. Insurance revenue jumped 345% to $22.4m for the half year with operating profit of $2.6m. Autosure's in-force policies were transferred to Turners at 31 March 2017 and the Autosure products now represent approximately 70% of Turners' insurance business. A number of new initiatives have been launched including a dealer loyalty share scheme to reward finance and insurance referrals, new electric vehicle breakdown cover and the development of a comprehensive loan repayment insurance product for retail customers. The integration of the insurance businesses into a single operating entity is progressing well and is expected to be completed in FY19.

Debt Management

EC Credit Control continues to perform well and remains highly cash generative. Revenue and operating profit remained consistent with the previous year, at $10.2m and $3.4m respectively. Along with the retention of key corporate and banking clients, debt load from key corporate accounts continues to increase, reflecting the positive collections result we achieve for these customers. We expect a positive impact from the implementation of the Auto-Dialler on second half collections results.

Outlook

The business is in a strong financial position after the recent $30m capital raise. The board has reflected on the oversubscribed Share Purchase Plan and acknowledges shareholder feedback received on the merits of a significantly higher rights issue component in future capital raising initiatives.

The outlook for the automotive sector remains positive providing growing opportunities for finance, insurance and vehicle servicing for the Turners Automotive Group of companies. In particular, the focus for the second half of the year remains on expanding Turners' retail presence in both cars and Trucks & Machinery; developing a bundled approach to finance and insurance; and building on existing capability to offer servicing and maintenance.

The company is on track to deliver a Net Profit Before Tax of between $29 million and $31 million for the full year to 31 March 2018. This would represent an 18% to 26% increase on FY17, or 10% to 14% excluding acquisitions.

Turners is well positioned to keep delivering profit growth for shareholders into the future.

ENDS

About Turners
Turners Automotive Group Limited is an integrated financial services group, primarily operating in the automotive sector www.turnersautogroup.co.nz.

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TURNERS AUTOMOTIVE GROUP LIMITED

Results for announcement to the market

Reporting Period	6 months to 30 September 2017	
Previous Reporting Period	6 months to 30 September 2016	
	Amount (NZD000s)	Percentage change
Revenue from ordinary activities	163,842	44%
Operating profit after tax - ordinary activities	10,031	18%
Net profit attributable to security holders	9,988	17%
Interim Dividend	Amount per security	Imputed amount per security
	$0.03000	$0.01667
Record Date	15 December 2017	
Dividend Payment Date	22 December 2017	
Comments:		

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2017

	Six months ended 30/09/2017 Unaudited $'000	Six months ended 30/09/2016 Unaudited $'000	Year ended 31/03/2017 Audited $'000
Revenue from continuing operations	**162,979**	113,292	249,338
Other income	**863**	657	1,671
Cost of goods sold	**(71,430)**	(50,553)	(116,997)
Interest expense	**(6,532)**	(5,642)	(11,350)
Impairment provision expense	**(2,276)**	(739)	(2,026)
Subcontracted services expense	**(5,375)**	(4,110)	(8,520)
Employee benefits (short term)	**(25,589)**	(19,220)	(40,862)
Commission	**(5,439)**	(3,469)	(7,446)
Advertising expense	**(1,905)**	(1,476)	(3,431)
Depreciation and amortisation expense	**(2,689)**	(1,247)	(2,863)
Property and related expenses	**(5,118)**	(4,392)	(9,391)
Systems maintenance	**(870)**	(709)	(1,468)
Claims	**(15,920)**	(3,195)	(6,491)
Life fund movement	**(25)**	(833)	(1,056)
Credit legal fee service expense	**(548)**	(374)	(838)
Other expenses	**(5,882)**	(6,228)	(13,639)
Profit before taxation	**14,244**	11,762	24,631
Taxation (expense)/benefit	**(4,213)**	(3,235)	(7,057)
Profit from continuing operations	**10,031**	8,527	17,574
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax			
Cash flow hedges	**(43)**	35	41
Foreign currency translation differences	**-**	(1)	(6)
Total comprehensive income for the year	**9,988**	8,561	17,609
Earnings per share (cents per share)			
Basic earnings per share	**13.36**	13.40	25.49
Diluted earnings per share	**13.24**	12.95	25.03

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2017

	Share Capital $'000	Share Options $'000	Translation Reserve $'000	Cash flow reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 March 2016 (audited)	136,127	-	(17)	(35)	(6,263)	129,812
Transactions with shareholders in their capacity as owners						
Capital contributions (net of issue costs)	19,309	-	-	-	-	19,309
Dividend paid	-	-	-	-	(6,361)	(6,361)
	19,309	-	-	-	(6,361)	12,948
Comprehensive income						
Profit	-		-	-	8,527	8,527
Other comprehensive income	-	-	(1)	35	-	34
Total comprehensive income for the period, net of tax	-	-	(1)	35	8,527	8,561
Balance at 30 September 2016 (unaudited)	155,436	-	(18)	-	(4,097)	151,321
Transactions with shareholders in their capacity as owners						
Capital contributions (net of issue costs)	13,373	-	-	-	-	13,373
Share based payments	-	208	-	-	-	208
Dividend paid	-	-	-	-	(2,234)	(2,234)
	13,373	208	-	-	(2,234)	11,347
Comprehensive income						
Profit	-	-	-	-	9,047	9,047
Other comprehensive income	-	-	(5)	6	-	1
Total comprehensive income for the period, net of tax	-	-	(5)	6	9,047	9,048
Balance at 31 March 2017 (audited)	168,809	208	(23)	6	2,716	171,716
Transactions with shareholders in their capacity as owners						
Capital contributions (net of issue costs)	**25,149**	**-**	**-**	**-**	**-**	**25,149**
Share based payments	**-**	**217**	**-**	**-**	**-**	**217**
Dividend paid	**-**	**-**	**-**	**-**	**(6,334)**	**(6,334)**
	25,149	**217**	**-**	**-**	**(6,334)**	**19,032**
Comprehensive income						
Profit	**-**	**-**	**-**	**-**	**10,031**	**10,031**
Other comprehensive income	**-**	**-**	**-**	**(43)**	**-**	**(43)**
Total comprehensive income for the period, net of tax	**-**	**-**	**-**	**(43)**	**10,031**	**9,988**
Balance at 30 September 2017 (unaudited)	**193,958**	**425**	**(23)**	**(37)**	**6,413**	**200,736**

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	30/09/2017	30/09/2016	31/03/2017
	Unaudited	Unaudited	Audited
	$'000	$'000	$'000
Assets			
Cash and cash equivalents	**69,472**	14,903	69,069
Financial assets at fair value through profit or loss			
- Insurance	**7,345**	16,058	7,190
- Other	**3,620**	3,206	3,130
Trade receivables	**17,538**	10,114	12,663
Inventory	**42,143**	44,028	44,642
Finance receivables	**269,229**	176,052	207,143
Derivative financial instruments	**-**	-	88
Other receivables and deferred expenses	**7,945**	8,328	8,489
Reverse annuity mortgages	**8,967**	9,769	9,222
Investment property	**4,000**	3,500	4,000
Property, plant and equipment	**23,736**	13,856	18,909
Intangible assets	**171,527**	133,269	172,088
Total assets	**625,522**	433,083	556,633
Liabilities			
Other payables	**35,164**	33,025	28,091
Financial liability at fair value through profit or loss	**2,767**	5,754	7,611
Deferred revenue	**5,766**	5,738	5,624
Deferred tax	**20,044**	10,698	20,173
Tax payable	**1,681**	276	1,808
Derivative financial instruments	**43**	-	-
Borrowings	**306,786**	198,849	265,889
Life investment contract liabilities	**8,079**	15,862	12,847
Life insurance contract liabilities	**44,456**	11,560	42,874
Total liabilities	**424,786**	281,762	384,917
Shareholders' equity			
Shard capital	**193,958**	155,436	168,809
Other reserves	**365**	(18)	191
Retained earnings	**6,413**	(4,097)	2,716
Total shareholders' equity	**200,736**	151,321	171,716
Total shareholders' equity and liabilities	**625,522**	433,083	556,633
Total assets per share ($)	**7.53**	6.19	7.47
Net tangible assets ($)	**0.59**	0.41	0.27

The Group's insurance business is required to comply with the solvency standards for licensed insurers issued by the Reserve Bank of New Zealand. The solvency standards specify the level of assets the insurance business is required to hold in order to meet solvency requirements, consequently all cash and cash equivalents held in the insurance business may not be available for use by the wider Group. The Group's insurance business' cash and cash equivalents at 30 September 2017 were $48.1m (30 September 2016: $6.2m; 31 March 2017: $55.6m).

Cash and cash equivalents at 30 September 2017 of $8.0m (30 September 2016 :$nil; 31 March 2017 : $2.1m) belongs to the Turners Marque Warehouse Trust 1 and is not available to the Group.

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2017

	Six months ended 30/09/2017 Unaudited $'000	Six months ended 30/09/2016 Unaudited $'000	Year ended 31/03/2017 Audited $'000
Cash flows from operating activities			
Interest received	**18,873**	15,254	27,909
Receipts from customers	**138,972**	96,386	216,948
Interest paid	**(5,896)**	(5,610)	(8,237)
Payment to suppliers and employees	**(132,000)**	(92,752)	(216,489)
Income tax paid	**(4,465)**	(3,268)	(5,044)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities	**15,484**	10,010	15,087
Net increase in finance receivables	**(54,372)**	(9,569)	(36,403)
Net decrease in reverse annuity mortgages	**672**	413	1,246
Sale of insurance assets at fair value through profit and loss	**305**	386	9,156
Net contribution from life investment contracts	**(4,877)**	(90)	(2,645)
Changes in operating assets and liabilities arising from cash flow movements	**(58,272)**	(8,860)	(28,646)
Net cash (outflow)/inflow from operating activities	**(42,788)**	1,150	(13,559)
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and intangibles	**152**	163	340
Purchase of fixed assets and intangible assets	**(6,116)**	(2,763)	(8,401)
Purchase of subsidiaries	**(3,733)**	(29,344)	(63,346)
Net cash inflow from investing activities	**(9,697)**	(31,944)	(71,407)
Cash flows from financing activities			
Net bank loan advances/(repayments)	**34,756**	18,450	82,288
Proceeds of share issue	**24,466**	-	13,374
Proceeds from the issue of bonds	**-**	19,784	19,784
Dividend paid	**(6,334)**	(6,361)	(8,595)
Net cash inflow/(outflow) from financing activities	**52,888**	31,873	106,851
Net movement in cash and cash equivalents	**403**	1,079	21,885
Add opening cash and cash equivalents	**69,069**	13,810	13,810
Cash included with purchase of subsidiaries	**-**	-	33,378
Translation difference	**-**	14	(4)
Closing cash and cash equivalents	**69,472**	14,903	69,069

TURNERS AUTOMOTIVE GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2017

	Six months ended 30/09/2017 Unaudited $'000	Six months ended 30/09/2016 Unaudited $'000	Year ended 31/03/2017 Audited $'000
RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)	**10,031**	8,527	17,574
Adjustment for Non-cash items			
Movement in impairment provisions	**2,281**	739	2,026
Net loss on sale of fixed assets	**(227)**	(24)	(84)
Depreciation and amortisation	**2,689**	1,247	2,863
Capitalised reverse annuity mortgage interest	**(432)**	(456)	(885)
Deferred revenues	**282**	2,508	4,678
Change in value of financial assets at fair value through profit or loss	**(929)**	(114)	(1,012)
Net annuity and premium change to policyholders accounts	**109**	(1,183)	(137)
Non-cash long term employee benefits	**238**	323	179
Non-cash adjustments to finance receivables effective interest rates	**51**	(14)	83
Deferred expenses	**(5,909)**	45	(3,901)
Adjustment for Movements in Working Capital			
Net increase receivables and pre-payments	**(1,823)**	(3,860)	(6,518)
Net decrease/(increase) in inventories	**2,578**	(2,870)	(3,585)
Net decrease/(increase) in current tax receivable	**(266)**	-	2,159
Net increase/(decrease) in payables	**6,797**	5,178	1,575
Net increase in finance receivables	**(54,372)**	(9,569)	(36,403)
Net decrease in reverse annuity mortgages	**672**	413	1,246
Net decrease of insurance assets at fair value through profit or loss	**305**	386	9,156
Net contributions from life investment contracts	**(4,877)**	(90)	(2,645)
Net decrease/(increase) in deferred tax	**1,214**	(33)	76
Net increase in tax payable	**(1,200)**	(3)	(4)
Net Cash inflow/(outflow) from Operating Activities	**(42,788)**	1,150	(13,559)

TURNERS AUTOMOTIVE GROUP LIMITED

SEGMENTAL INFORMATION

OPERATING SEGMENTS

Revenue	Total segment revenue 30/09/2017 Unaudited $'000	Inter-segment revenue 30/09/2017 Unaudited $'000	Revenue from external customers 30/09/2017 Unaudited $'000	Total segment revenue 30/09/2016 Unaudited $'000	Inter-segment revenue 30/09/2016 Unaudited $'000	Revenue from external customers 30/09/2016 Unaudited $'000	Total segment revenue 31/03/2017 Audited $'000	Inter-segment revenue 31/03/2017 Audited $'000	Revenue from external customers 31/03/2017 Audited $'000
Automotive retail	115,694	(2,211)	113,483	86,182	-	86,182	193,472	(783)	192,689
Finance	17,791	-	17,791	12,801	-	12,801	26,818	-	26,818
Collection Services - New Zealand	6,978	(2,171)	4,807	6,932	(1,836)	5,096	13,127	(3,804)	9,323
Collection Services - Australia	5,382	-	5,382	4,721	-	4,721	9,783	-	9,783
Insurance	22,369	-	22,369	5,025	-	5,025	12,255	-	12,255
Corporate & Other	10	-	10	293	(169)	124	466	(325)	141
	168,224	(4,382)	163,842	115,954	(2,005)	113,949	255,921	(4,912)	251,009

Operating profit	30/09/2017 Unaudited $'000	30/09/2016 Unaudited $'000	31/03/2017 Audited $'000
Automotive retail	8,771	6,918	15,397
Finance	5,537	4,937	10,156
Collection Services - New Zealand	3,285	3,279	6,006
Collection Services - Australia	128	116	239
Insurance	2,627	130	928
Corporate & Other	(6,104)	(3,618)	(8,095)
Profit/(loss) before taxation	14,244	11,762	24,631
Income tax	(4,213)	(3,235)	(7,057)
Profit attributable to shareholders	10,031	8,527	17,574

	Interest revenue			Interest expense			Depreciation and amortisation expenses		
	30/09/2017	30/09/2016	31/03/2017	30/09/2017	30/09/2016	31/03/2017	30/09/2017	30/09/2016	31/03/2017
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Automotive retail	4,289	3,735	7,590	2,302	1,812	3,753	1,242	1,010	2,286
Finance	15,710	11,079	22,907	2,643	1,915	3,648	152	122	329
Collection Services - New Zealand	5	4	13	-	1	-	39	42	92
Collection Services - Australia	-	-	-	-	-	-	1	-	-
Insurance	993	415	875	-	-	-	1,221	43	91
Corporate & Other	9	247	418	1,748	2,083	4,274	34	30	65
	21,006	15,480	31,803	6,693	5,811	11,675	2,689	1,247	2,863
Eliminations	(161)	(169)	(325)	(161)	(169)	(325)	-	-	-
	20,845	15,311	31,478	6,532	5,642	11,350	2,689	1,247	2,863

Other material non-cash items

	Revenue 30/09/2017 Unaudited $'000	30/09/2016 Unaudited $'000	31/03/2017 Audited $'000	Expenses 30/09/2017 Unaudited $'000	30/09/2016 Unaudited $'000	31/03/2017 Audited $'000
Automotive retail - impairment provisions	**-**	-	-	**207**	121	297
Finance - impairment provisions	**-**	-	-	**2,016**	601	1,710
Insurance - impairment provisions	**-**	-	-	**53**	14	16
Automotive retail - revaluation of investment	**590**	523	729	**-**	-	-
Finance - investment property	**-**	-	500	**-**	-	-
Collection services - New Zealand - deferred revenue	**241**	597	1,061	**-**	-	-
Insurance - reverse annuity mortgage interest	**432**	396	825	**-**	-	-
Corporate & Other - reverse annuity mortgage interest	**-**	60	60	**-**	-	-
	1,263	1,576	3,175	**2,276**	736	2,023

2.2 SEGMENT ASSETS AND LIABILITIES

	Segment assets 30/09/2017 Unaudited $'000	30/09/2016 Unaudited $'000	31/03/2017 Audited $'000	Segment liabilities 30/09/2017 Unaudited $'000	30/09/2016 Unaudited $'000	31/03/2017 Audited $'000
Automotive retail	**140,406**	119,932	134,160	**108,698**	95,565	103,821
Finance	**228,077**	143,886	174,134	**178,439**	99,215	126,528
Collection Services - New Zealand	**26,625**	28,163	25,974	**7,824**	13,908	9,246
Collection Services - Australia	**1,852**	1,570	1,908	**758**	683	890
Insurance	**117,862**	43,030	118,722	**64,413**	33,980	66,503
Corporate & Other	**285,026**	280,569	266,403	**72,386**	101,430	79,169
	799,848	617,150	721,301	**432,518**	344,781	386,157
Eliminations	**(174,326)**	(184,067)	(164,668)	**(7,732)**	(63,019)	(1,240)
	625,522	433,083	556,633	**424,786**	281,762	384,917

2.3 AUTOMOTIVE RETAIL SEGMENT ANALYSIS

	Total segment revenue 30/09/2017 Unaudited $'000	Inter-segment revenue 30/09/2017 Unaudited $'000	Revenue from external customers 30/09/2017 Unaudited $'000	Total segment revenue 30/09/2016 Unaudited $'000	Inter-segment revenue 30/09/2016 Unaudited $'000	Revenue from external customers 30/09/2016 Unaudited $'000	Total segment revenue 31/03/2017 Audited $'000	Inter-segment revenue 31/03/2017 Audited $'000	Revenue from external customers 31/03/2017 Audited $'000
Auctions	**21,899**	**(607)**	**21,292**	18,851	-	18,851	38,169	(272)	37,897
Finance	**7,313**	**(194)**	**7,119**	7,109	-	7,109	12,700	-	12,700
Fleet	**56,114**	**-**	**56,114**	49,216	-	49,216	97,858	-	97,858
Buy Right Cars	**30,368**	**(1,410)**	**28,958**	11,006	-	11,006	44,745	(511)	44,234
	115,694	**(2,211)**	**113,483**	86,182	-	86,182	193,472	(783)	192,689

Operating profit	**30/09/2017 Unaudited $'000**	30/09/2016 Unaudited $'000	31/03/2017 Audited $'000
Auctions	**2,459**	1,508	2,442
Finance	**2,956**	2,525	4,916
Fleet	**1,993**	2,207	4,932
Buy Right Cars	**1,363**	678	3,107
	8,771	6,918	15,397

Division assets and liabilities

	Assets			Liabilities		
	30/09/2017	30/09/2016	31/03/2017	**30/09/2017**	30/09/2016	31/03/2017
	Unaudited	Unaudited	Audited	**Unaudited**	Unaudited	Audited
	$'000	$'000	$'000	**$'000**	$'000	$'000
Auctions	**26,583**	21,102	30,386	**7,194**	4,815	13,044
Finance	**61,463**	50,621	55,506	**58,319**	48,496	50,694
Fleet	**20,651**	14,025	20,546	**16,565**	10,333	14,876
Buy Right Cars	**31,709**	34,184	29,450	**26,620**	31,921	25724
	140,406	119,932	135,888	**108,698**	95,565	104,338
	-	-	(1,728)	**-**	-	(517)
	140,406	119,932	134,160	**108,698**	95,565	103,821

Five reportable segment have been identified as follows

Automotive retail - remarketing (motor vehicles, trucks, heavy machinery and commercial goods) and purchasing goods for sale (motor vehicles and commercial goods) and related asset based finance to consumers

Collection services - collection services, credit management and debt recovery services to the corporate and SME sectors. Geographically the collections services segment business activities are located in New Zealand and Australia

Finance - provides asset based finance to consumers and SME's

Insurance - marketing and administration of a range of life and consumer insurance and superannuation products

Corporate & other - corporate centre.

Interim Results Presentation
For six months ending 30 September 2017

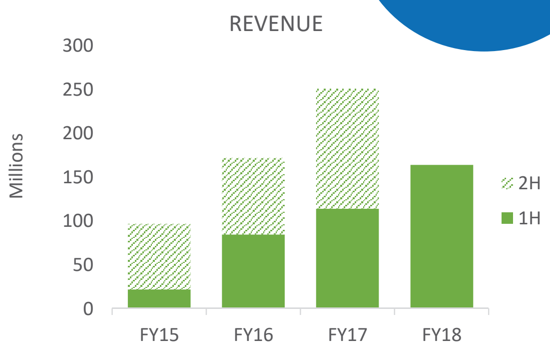
HY18 HIGHLIGHTS AND KEY EVENTS

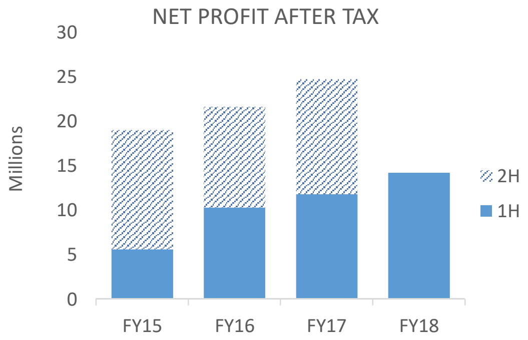
- Autosure and Buy Right Cars both successfully integrated into the group and contributed full six months of earnings
- All divisions delivered improvements in revenue and operating profit
- ASX dual listing completed
- Appointed Greg Hedgepeth as CEO of Auto Retail division
- Completion of capital raising: $25m placement (plus $5m SPP completed post-period end) to support growth initiatives

HY RESULTS SNAPSHOT

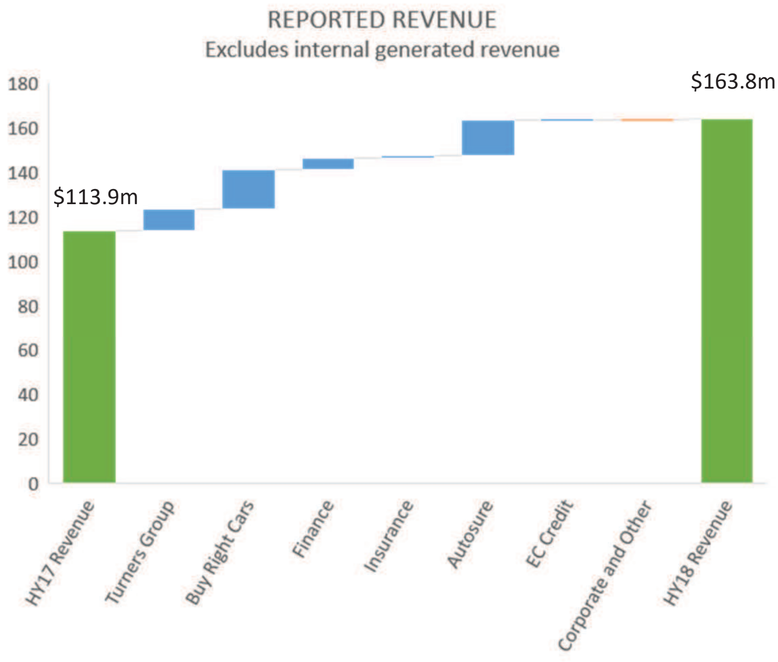
Continuing growth in revenue and profit

Revenue	**$163.8m, +44%**
Net Profit Before Tax	**$14.2m, +21%**
Net Profit After Tax	**$10.0m, +18%**
Shareholders' Equity	**$200.7m as at 30 Sep 17**
Q2 Dividend 3.0 cps	**Total HY Dividend 6.0cps**
Earnings Per Share	**13.4cps**



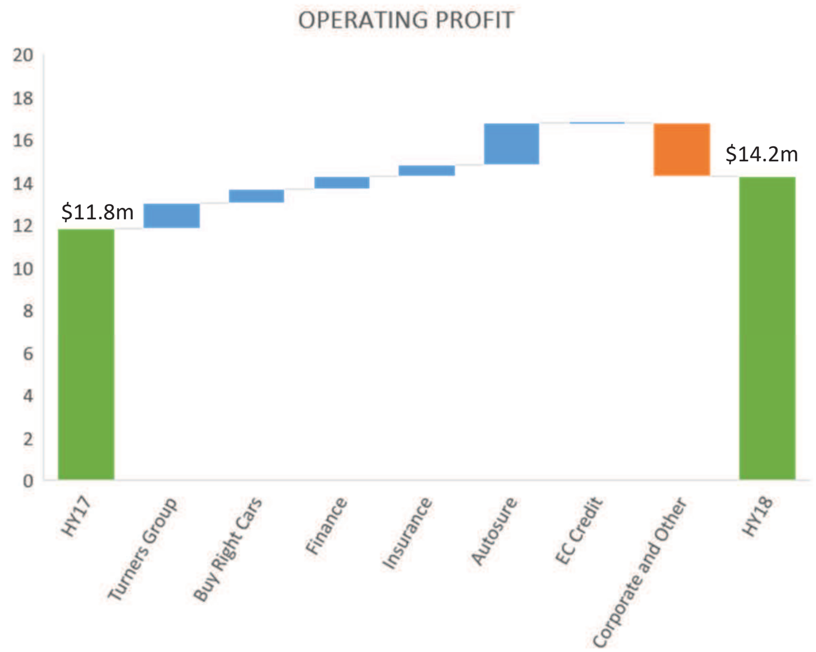


HY16: HY17 REVENUE BRIDGE



- Organic growth underpinned by strong used car sales and loan origination across the market
- Improvement in retail "end-user" sales in Turners Cars driving growth in finance and fleet margins (fixed price sales up 20% YoY)
- Continued growth in MTF non-recourse lending product. Loan book at $51m at end of Sept 2017
- Autosure business performing well and integration well underway

HY16: HY17 OPERATING PROFIT BRIDGE



- Turners Group performance from Trucks and Machinery, further improvement in finance and insurance sales
- Finance result improvement due to increase in ledger up 53% (growth from captive retail and MTF channels)
- Finance provisions have increased as size of ledger has grown
- Insurance showing pleasing growth in policy sales and GWP balanced by a conservative position on reserving for claims
- Corporate costs impacted by acquisition amortisation and increased interest on acquisition funding
- Increase in captive finance referrals resulting in upfront expensing of commissions at group level

BALANCE SHEET

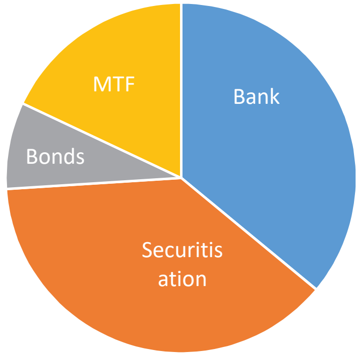
$000s	HY18	HY17
Cash and cash equivalents	69,472	14,903
Finance Receivables	269,229	176,052
Inventory	42,143	44,028
Property, Plant and Equipment	23,736	13,856
Other Assets	49,415	50,975
Intangible Assets	171,527	133,269
TOTAL ASSETS	**625,522**	**433,083**
Borrowings	306,786	198,849
Other Payables	35,164	33,025
Deferred Tax	20,044	10,698
Insurance Contract Liabilities	44,456	11,560
Other Liabilities	18,336	27,630
TOTAL LIABILITIES	**424,786**	**281,762**

- Increase in cash balances due to transfer of Autosure Insurance liabilities on 31 March 2017
- Growth in Finance Receivables and acquisitions driving increased borrowing
- Property, plant and equipment includes Buy Right Cars and acquisition of greenfield sites
- Borrowings increased in line with demand for finance
- Insurance contract liabilities include Autosure
- Deferred tax increase reflects gross up of Goodwill for acquisition of Autosure

FUNDING MIX

	HY18 $m	% of Total	HY17 $m	% of Total
TOTAL ASSETS	**626**		**433**	
Equity	201	32%	151	35%
Convertible bonds	26	4%	26	6%
Securitisation Funding (BNZ)	114	18%	-	
Bank Funding [Corporate BNZ & ASB]	112	18%	126	29%
MTF Finance Receivables Funding	55	9%	46	11%
Insurance Contract Liabilities	45	7%	12	3%
Life Investment Contract Liabilities	8	2%	16	4%
Payables and Deferred Revenue	45	7%	45	10%
Deferred tax liability	20	3%	11	2%

FY17 Borrowings by Source

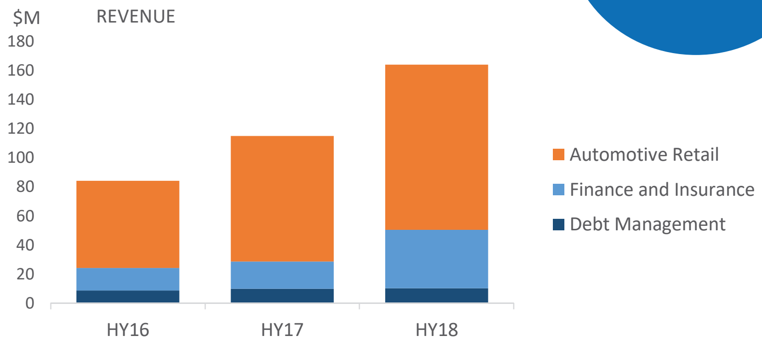


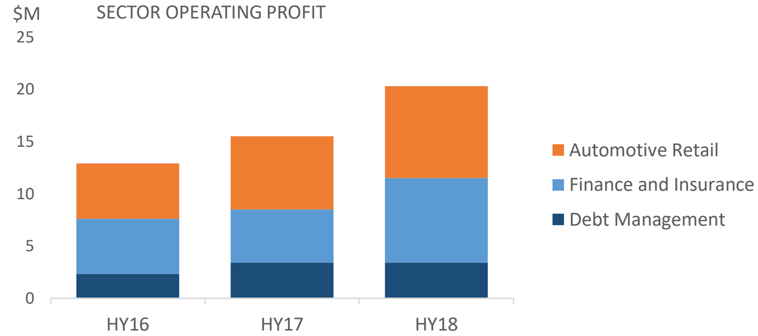
- Extension of securitisation funding programme underway
- Banking syndication in progress

OPERATING ENVIRONMENT

- Used vehicle market continuing to grow:
  - Used cars up 1% YOY
  - Used trucks up 5% YOY
  - Damaged and end of life up 10% YOY
- 12% increase (14,000 units) in number of used import cars coming into NZ Sept YTD
- New car registrations (passenger and light commercial) up 9.8% to 112,000 units registered Sept YTD.
- Number of registered dealers up 7% to 3,500 (an increase of 37% since 2012)
- Additional supply and increased competition leading to some margin pressure

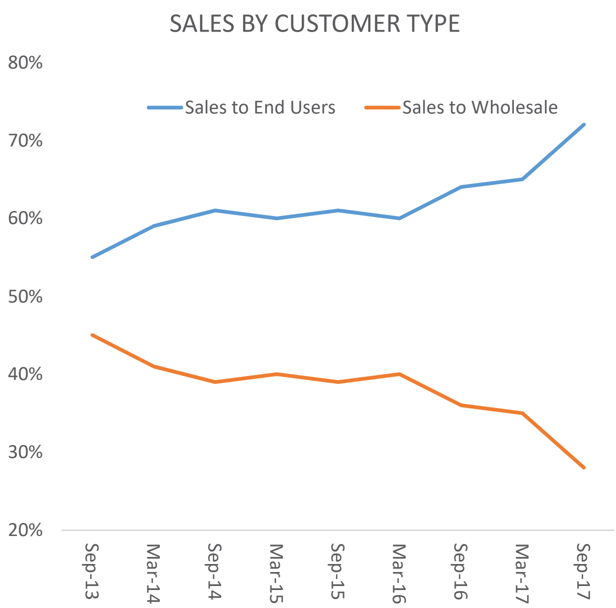
DIVISIONAL RESULTS





AUTOMOTIVE RETAIL

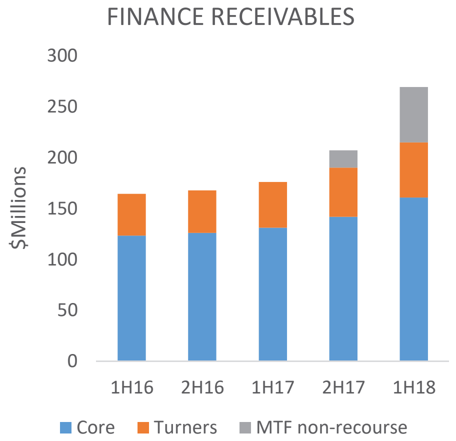
Revenue $113.5m +32%, Op Profit $8.8m +27%



- Focus on higher margin sales helping to offset price competition:
  - Continuing increase in fixed price sales - up 20% YoY
  - Sales to end users were 72% of all car purchases in H1 FY18 (64% Sept 16)
- Corresponding increase in finance contract sales (23% increase in loans written, 22% increase in MBI policies sold)
- Expansion of physical footprint with new sites for both Cars and Trucks & Machinery
  - Penrose Auckland (new) Buy Right Cars site
  - Wiri Auckland (replacement) Trucks and Machinery
  - Porirua Wellington (replacement) Cars
  - Whangarei (replacement) Cars
  - Hamilton (new) Trucks and Machinery
- Progressing opportunity to offer service and maintenance
- Refreshed management team at Buy Right Cars

FINANCE

Revenue 17.8m +39%, Op Profit $5.5m +12%



- Finance receivables growth has continued, up 30% to $269.2m from March 2017
- Continued enhancements of online loan approval platform AutoApp
- Non-recourse lending product for MTF network remains very popular, loan book at $51m
- Focus on building and driving growth out of the referral base of dealers and brokers
- Account instalment arrears tracking at 1.05% (1.00% at Sept 16 YTD)
- Integration and consolidation of finance brands into single entity is progressing well

INSURANCE

Revenue $22.4m +345%, Op Profit $2.6m (HY17: $0.1m)

- Continuing innovation – dealer loyalty scheme, EV breakdown cover, refreshed loan repayment insurance products
- Continue to build claims reserves over and above actual losses, in conjunction with close monitoring of risk profiles and claims management
- GWP ahead of expectations YTD
- Use of data analytics across the business to better understand claims and pricing by portfolio and vehicle category
- Consolidation of insurance brands into single entity is progressing well
- Improved performance in life products through new distribution arrangements

DEBT MANAGEMENT

Revenue $10.2m +4%, Op Profit $3.4m (HY17: $3.4m)

- Business continues to perform well, remains highly cash generative
- Continue to increase debt load from key corporate accounts at expense of competitors
- Strong Terms of Trade product sales in both NZ and Australian markets (17% up YTD)
- Focus on building analytics capability and efficiencies in contact centre - new Auto Dialler technology introduced with encouraging results.
- Partnership established with IODM, an Australian based online automated accounts receivable solution provider, to resell IODM products and exclusive partnership for provision of debt collection services
- Result includes $240k unredeemed voucher release ($600k Sept 2016)

OUR STRATEGY IS FOCUSED ON GROWTH

ORGANIC GROWTH: Identify opportunities to grow each business: More customers, more products and services, more channels, better technology

GROUP INTEGRATION: Cross selling product across the group, and building a common operating and funding platform for the finance businesses

MERGERS AND ACQUISITIONS: Target businesses that build capability/scale and have sustainable earnings and growth potential

OUR PEOPLE: Invest into upskilling and rewarding our people to encourage them to strive for growth

2H18 OUTLOOK

- Organic growth through innovation
- Expand physical footprint through extension and development of new sites for both Cars and Trucks & Machinery
- Develop bundled approach to finance and insurance
- Consolidation of finance entities and insurance entities into single operating platforms
- Build on existing capability to offer servicing and maintenance
- Continue to assess M&A opportunities to build market share, particularly in Automotive Retail

Firmly on track to achieve FY18 Guidance

- Net Profit Before Tax of $29m to $31m (represents an 18% to 26% increase on FY17, or 10 to 14% excluding acquisitions)

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I. Uncertainties relating to government and regulatory policies;

II. The occurrence of catastrophic events with a frequency or severity exceeding our estimates;

III. The legal environment;

IV. Loss of services of any of the company's officers;

V. General economic conditions; and

VI. The competitive environment in which the company, its subsidiaries and its customers operate; and other risks inherent in the company's industry

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