



*We Buy, We Sell,  
We Finance*

# ••• FY18 Retail Investor Presentation

# AGENDA & INTRODUCTIONS

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- Overview
- Customer Journeys
- Market Update
- Highlights and Divisional Review
- Focus areas
- Outlook



Todd Hunter CEO



Aaron Saunders CFO

# TURNERS' AN INTEGRATED AUTOMOTIVE GROUP

**Turners Automotive Group - the biggest seller of cars, trucks and machinery in NZ. We finance them and insure them for mechanical breakdown, accident and loan repayments with the best range of products in the market.**

## AUTOMOTIVE RETAIL

Controlling the buying and selling of second hand cars, trucks and machinery to earn a transactional margin and delivering cross-sell opportunities for Finance and Insurance



## FINANCE AND INSURANCE

Helping customers with simple and attractive finance and insurance products, and building annuity revenue streams



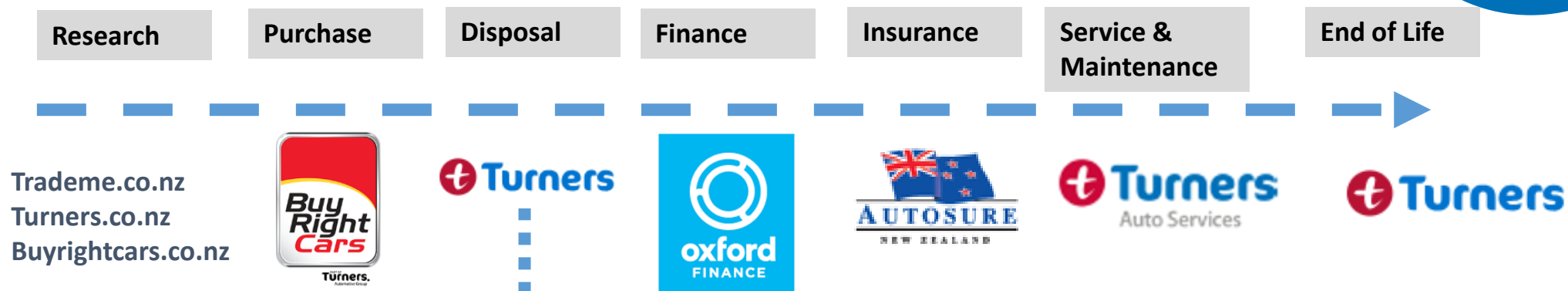
## CREDIT MANAGEMENT SERVICES

Helping businesses of any size in New Zealand and Australia with better management of their credit challenges

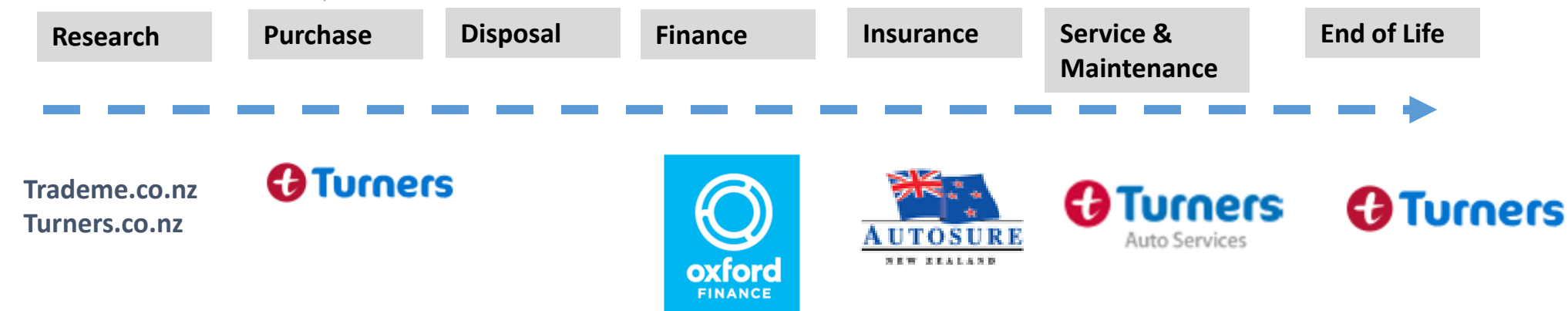


# EXAMPLES OF TURNERS ECOSYSTEM

Nina is looking to upgrade her current 7 year old car, finds a late model ex-rental at Buy Right Cars

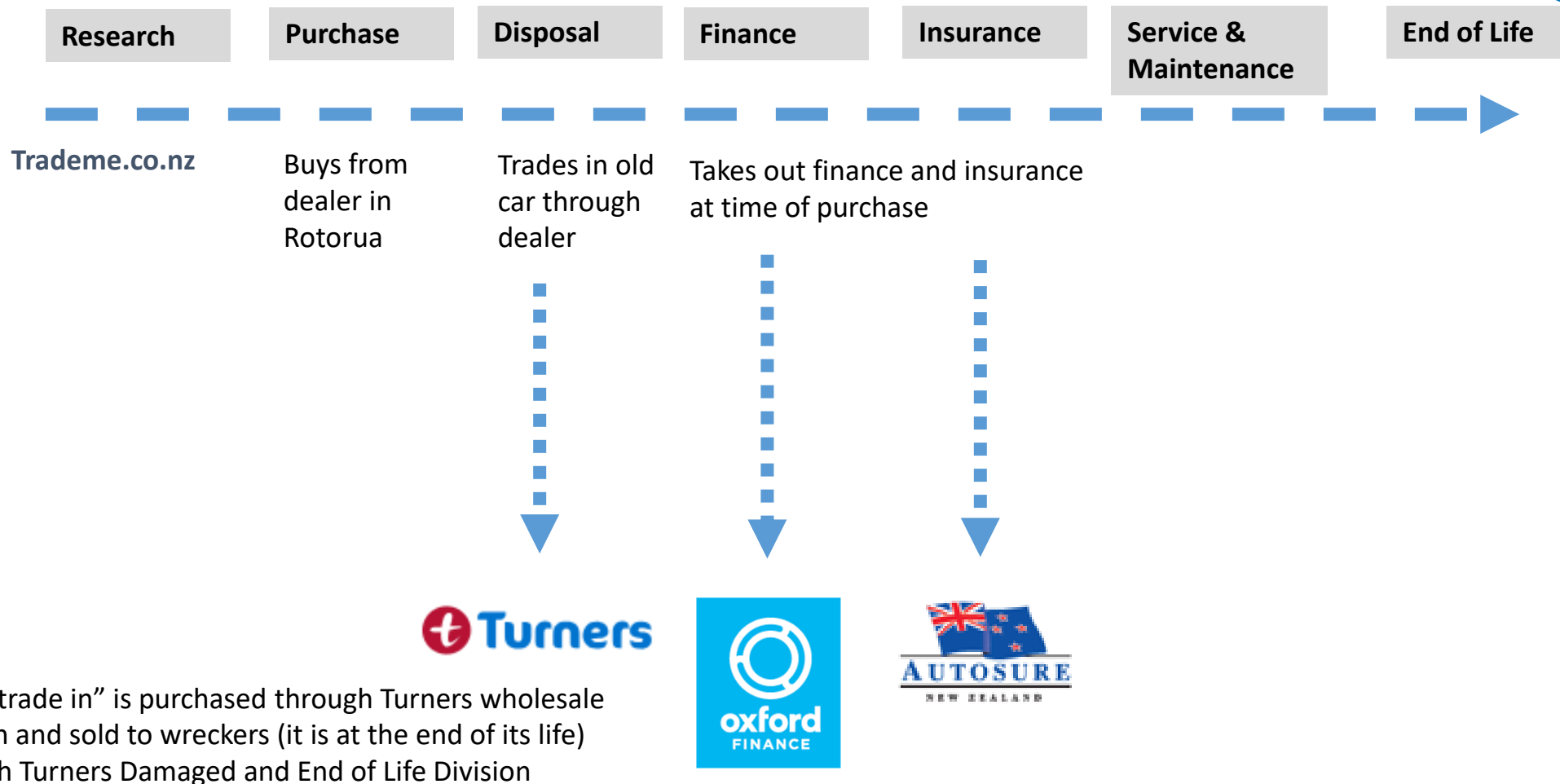


Liz is looking for a larger car to run the kids around



# EXAMPLES OF TURNERS ECOSYSTEM

Tim is looking for a used import on TradeMe and finds the perfect car through a dealer in Rotorua





# THE KIWI CAR ECONOMY

**3.85m**

Light vehicles in the NZ vehicle fleet



**7,232 EVs**

7,232 as at the end of March 2018, more than double its size in March 2017.

**164,000**

used cars were imported into NZ in year ended Mar 18

**153,000**

New passenger and light commercial vehicles sold into NZ in year ended Mar 18



**158,000**

Vehicles de-registered in FY18

**61%**

of people ended up spending less than \$10,000 on their car, 80% were less than \$20,000

**14yrs**

Is the average age of used vehicle in NZ since 2013

**3,500**

Registered dealers in NZ



**21 years**

The average age light vehicles were scrapped from fleet was 22 years for an import and 21 years for NZ new



## Highlights and Divisional Performance

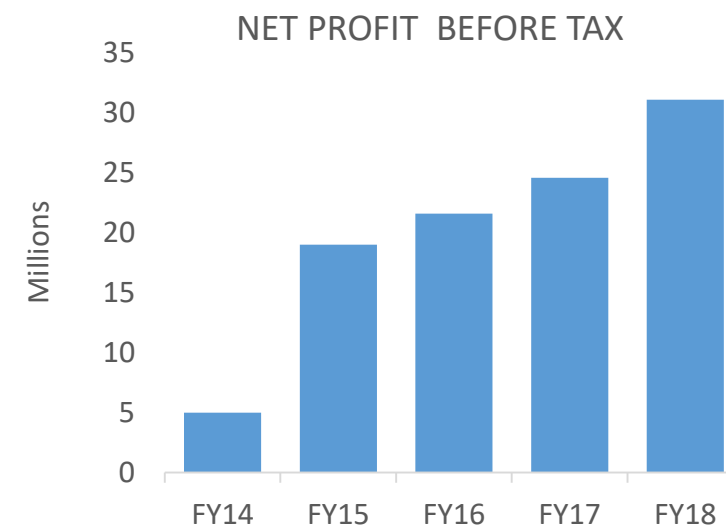
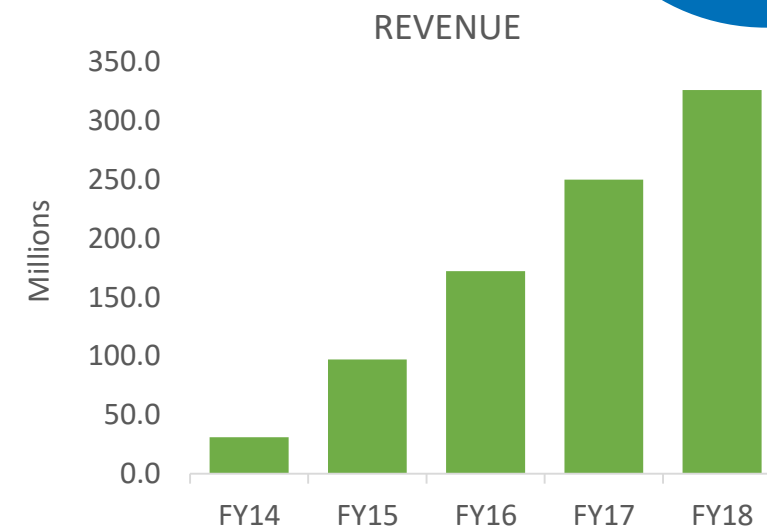
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# FY18 FINANCIAL HIGHLIGHTS

Continuing growth in revenue and profit

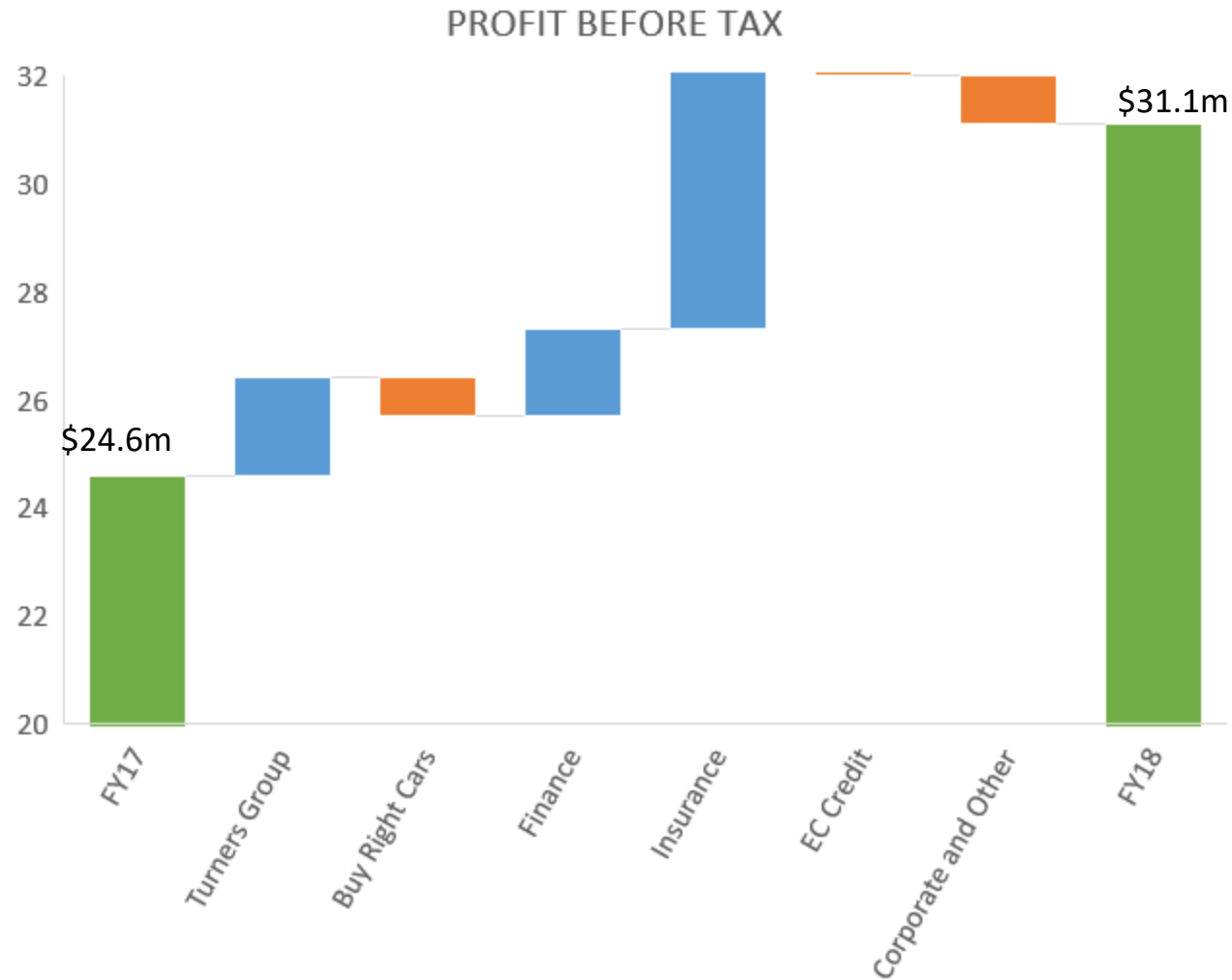
<b>Revenue</b>	<b>\$330.5m, +32%</b>
<b>Net Profit Before Tax</b> (Guidance NPBT \$29m to \$31m)	<b>\$31.1m, +26%</b>
<b>Net Profit After Tax</b>	<b>\$23.4m, +33%</b>
<b>NPATA</b>	<b>\$24.9m, +42%</b>
<b>Shareholders' Equity</b>	<b>\$214.3m as at 31 Mar 18</b>
<b>Final Quarter Dividend 5.0 cps</b>	<b>Total FY Dividend 15.5cps, +7%</b>
<b>Earnings Per Share</b>	<b>29.3cps, +15%</b>
<b>FY19 NPBT Guidance</b>	<b>\$34m to \$36m (up 13% on mid)</b>

NPATA – is net profit after tax and tax adjusted add back of amortised acquisition intangibles IE. Autosure portfolios inforce and customer relationships





# FY17: FY18 PROFIT BRIDGE

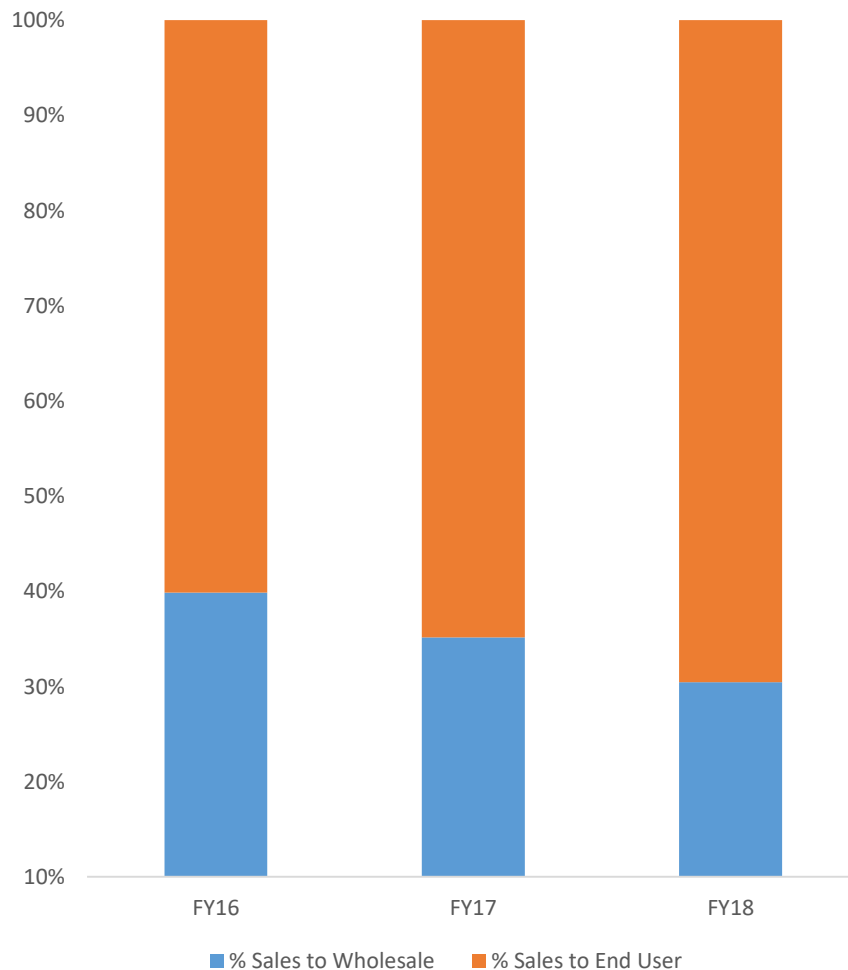


- Turners Group shows incremental improvement across all divisions
- BRC impacted by margin compression and dealing with aged stock issue
- Finance result improvement due to increase in ledger up 39%
- Insurance showing step change in profits from Autosure
- EC Credit Control showing good underlying growth in NZ whilst Australia remains work in progress.
- Corporate and Other costs include ASX listing costs, acquisition amortisation and acquisition earnings adjustments.

# AUTOMOTIVE RETAIL

Revenue \$223.2m +16%, Op Profit \$16.6m +8%

Sales by Customer Type for Turners Cars



- Turners Group strong result with operating profit up 15% off revenue growth of 10%.
- Continuing increase in fixed price sales (cf auction or tender) - up 17% YoY with sales to end users at 70% of all car purchases
- Corresponding increase in finance contract sales (16% increase in loans written, 15% increase in MBI policies sold)
- Percentage of 'owned vehicles' increased to 50% (up from 48%) of transactions – better margins
- Expansion of physical footprint with new sites for both Cars and Trucks & Machinery
- Recent market research confirms Turners as most trusted used car brand in NZ
- Recently inked partnership with Auto Super Shoppes (83 workshops in NZ) for delivery of service and maintenance products

# AUTO RETAIL: BUY RIGHT CARS



PART OF  
**Turners.**  
Automotive Group

Turners Automotive Group is New Zealand's largest automotive company.

## Customer view of Buy Right Car and Turners TRA Market Research Nov 2017

Recent brand research reflects positively on quality customer experience that Buy Right Cars provides

	Turners	Buy Right Cars
Satisfaction	87%	88%
Likelihood to Repurchase	71%	77%

- Revenue growth of 34% reflecting full year of operation, operating profit down 21%.
- Financial performance has disappointed as new management team deals with legacy issues
- New management team in place since November 2017
- Dealing with aged inventory issue
- Earn-out mechanism working as intended
- Closer association with Turners Auto Group branding to be implemented
- Grown physical footprint by one branch in FY18 (Penrose). Targeting three new branches over the next two years

# AUTO RETAIL: PROPERTY OPPORTUNITY



Concept design for Cambridge Terrace site in Wellington



Wellington bound container offices in Chinese manufacturer

- Property reconfiguration to drive improved retail experience for further growth
- Used vehicle business creates opportunity to be innovative in location and configuration eg container offices
- Purchasing either brown fields or bare land with straight forward developments with customised lease
- Sale and lease back provides profit opportunity to capitalise on “Turners” brand as a tenant
- Five years of property opportunities ahead including large projects in Auckland and Christchurch
- Completed 2 major projects value \$16M during FY18 (Porirua Turners Cars and Wiri Trucks and Machinery)



# NAPIER – RETAIL EXPANSION

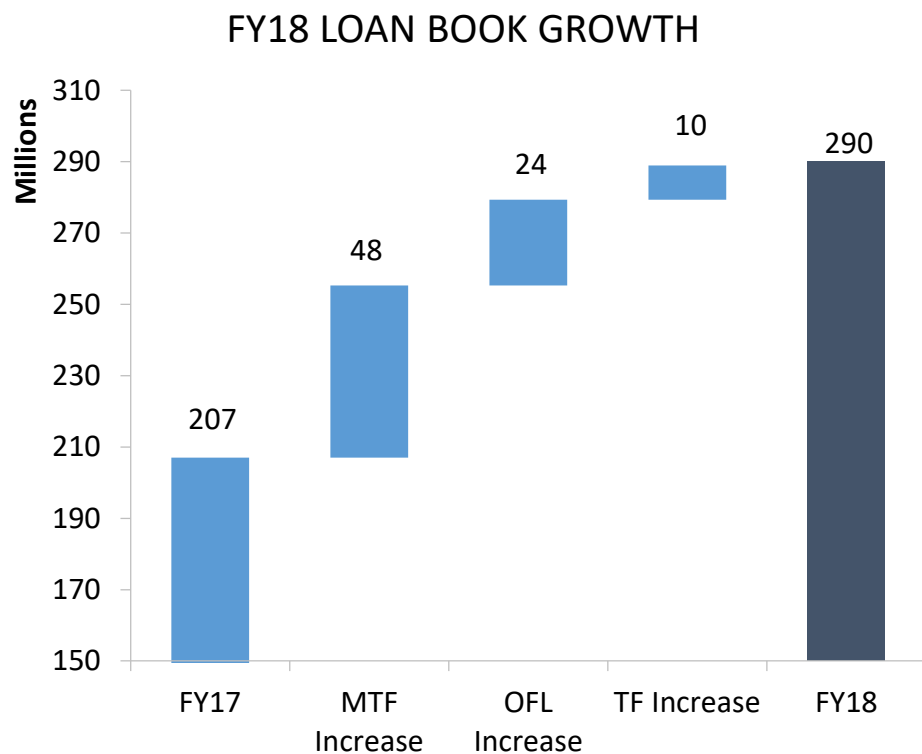


# PORIRUA – LAND PURCHASE & DEVELOPMENT



# FINANCE

Revenue \$39.7m +48%, Op Profit \$11.7m +16%



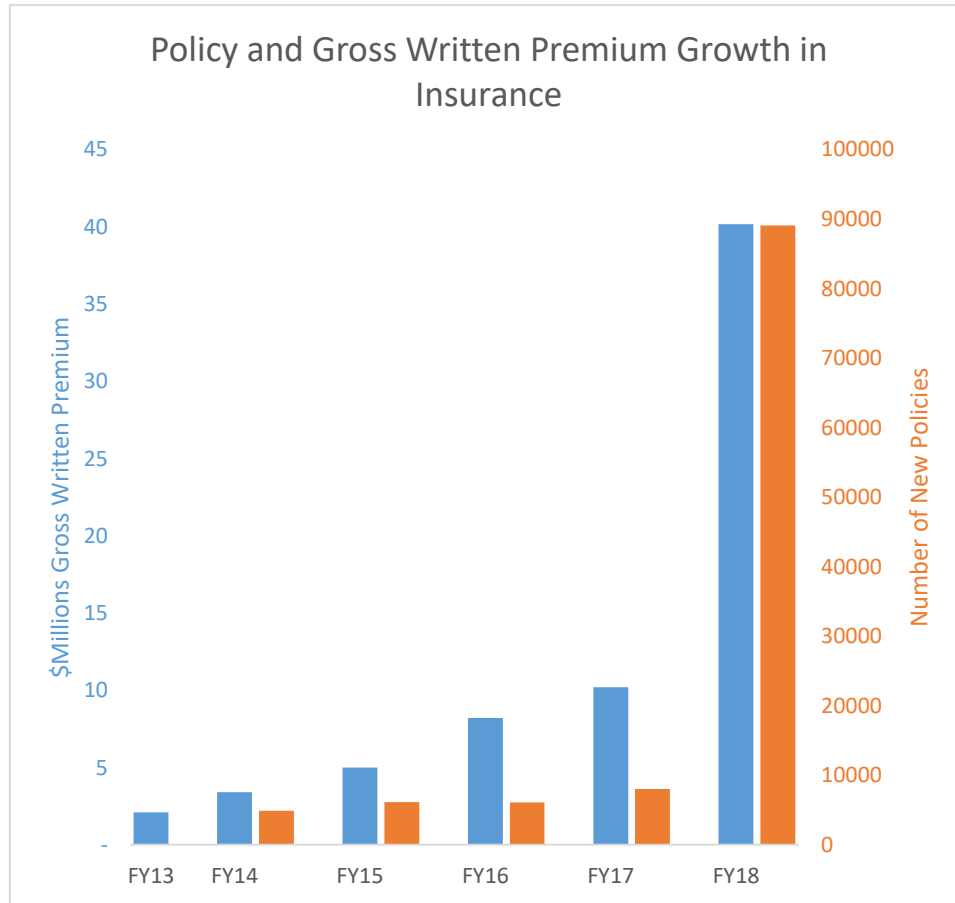
MTF – Motor Trade Finance  
OFL – Oxford Finance Limited  
TF – Turners Finance



- Finance receivables growth has continued, up 40% to \$290m from March 2017
- Continued enhancements of online loan approval platform AutoApp (insurance integration key deliverable)
- Continue to tighten credit criteria to position the business for any change in the credit cycle
- Captive channel lending IE Turners Cars and BRC delivers higher quality loans (more control)
- Total instalment arrears tracking at 2.0% (1.0% at end-March 2017). Arrears deterioration most noticeable in MTF – Non Recourse (NR) book.

# INSURANCE

Revenue \$46.9m +283%, Op Profit \$5.7m, +518%



- Autosure acquisition creates step change in scale of insurance business in FY18
- Consolidation of insurance brands into single entity
- Use of data analytics to re-price risk
- GEP at 4% above budget for Y18
- 15% increase in policies sold through Turners captive channels to 8,500 policies.
- Loss ratios at 70% tracking 3% above budget, implementing initiatives to reduce to below 68% for FY19
- Identified opportunity to allocate a proportion of insurance reserves to support auto retail property expansion



# CREDIT MANAGEMENT

Revenue \$18.7m, Op Profit \$6.1m – in line with FY17



- Solid and consistent performer, delivering good cashflow and profitable returns
- Continue to increase debt load from key NZ corporate accounts at expense of competitors
- Still big opportunity in Australian corporate market (under penetrated)
- Strong Terms of Trade product sales in NZ up 20% v FY17
- Auto Dialler technology performing well and creating significant lift in productivity
- Early stages of a strategic partnership established with IODM, an Australian based online automated accounts receivable solution provider, 23 clients subscriptions signed up at end of Mar 18
- Result includes \$0.4m unredeemed voucher release (\$1.1M FY17)

# FUNDING MIX

	FY18 \$m	% of Total	FY17 \$m	% of Total
<b>TOTAL ASSETS</b>	<b>652</b>		<b>557</b>	
Equity	214	33%	172	31%
Convertible bonds	26	4%	26	5%
Securitisation Funding (BNZ)	133	20%	69	12%
Bank Funding [Corporate BNZ & ASB]	97	15%	122	22%
MTF Finance Receivables Funding	59	9%	49	9%
Insurance Contract Liabilities	49	8%	43	8%
Life Investment Contract Liabilities	7	1%	13	2%
Payables and Deferred Revenue	49	8%	43	8%
Deferred tax liability	19	3%	20	4%

- \$30M capital raise in Oct 17
- Convertible Bonds of \$26M mature Sept 2018.
- Growth in Securitisation Warehouse reflects growth in finance book and substitution of corporate bank funding
- \$140m syndication facility with ASB and BNZ completed May 2018.
- Growth in MTF funding driven by growth in Turners Finance.





# Opportunities and Strategic Focus



# KEY FOCUS FOR FY19



Ollie - star of the Turners' TVCs

- **AUTO RETAIL** – Customer experience (people and property), redirect Finance into OFL, leverage trucks and machinery network
- **FINANCE** – redirect finance from Turners into OFL, Customer experience quicker and easier through smart data analytics, re-position to higher quality lending
- **INSURANCE** –continue pricing for risk, procurement / cost out initiatives, replace dealer retail selling system
- **CREDIT MANAGEMENT** - customer acquisition Australia, implement collections scorecard, target higher debt load from existing customers



# OUTLOOK

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- Used car market is resilient, less discretionary than new
- A large aging vehicle fleet that needs to be replaced
- 80% of people purchasing vehicles under \$20k
- High trust position in the “Turners” brand

FY19 NPBT guidance \$34 million to \$36 million



Questions

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