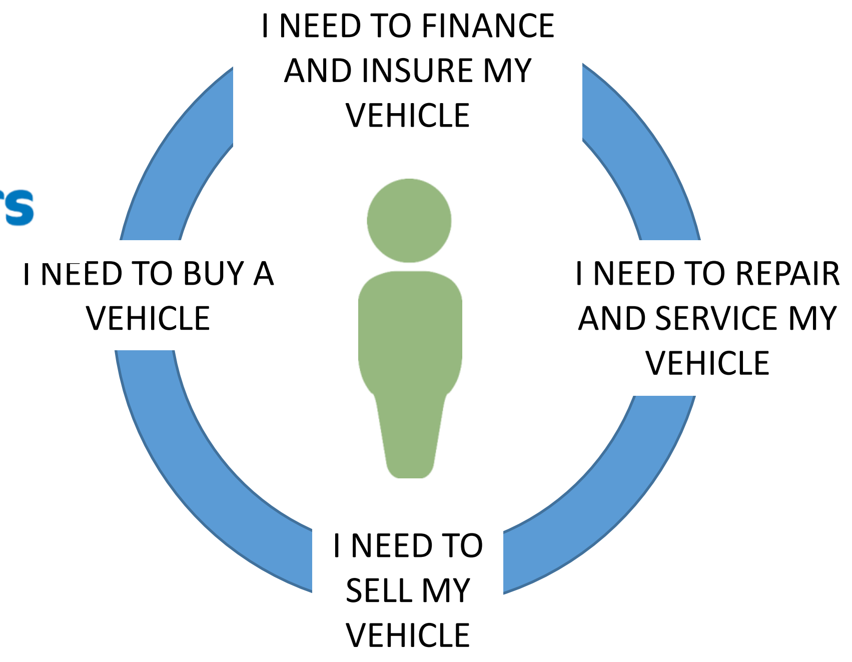
Interim Results Presentation
For six months ending 30 September 2018

Turners Automotive Group

TURNERS: AN INTEGRATED AUTOMOTIVE GROUP

- Turners is the biggest seller of used 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.
- We also operate in the Debt Management sector, leveraging off our expertise in the finance market.



THE KIWI CAR ECONOMY

3.85m

Light vehicles in the NZ vehicle fleet

10,250 EVs

As at Sept 2018, double the fleet size from Sept 2017.

NZ Used import sales 8.6% down

used imported car sales were down to 76,000 for H1, the decline is greater in Auckland at 12%.

74,666

New passenger and light commercial vehicles sold into NZ for 6 months ended Sept 18

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

90,000

Vehicles de-registered in H1 FY19 up 12%

3,462

Registered dealers in NZ

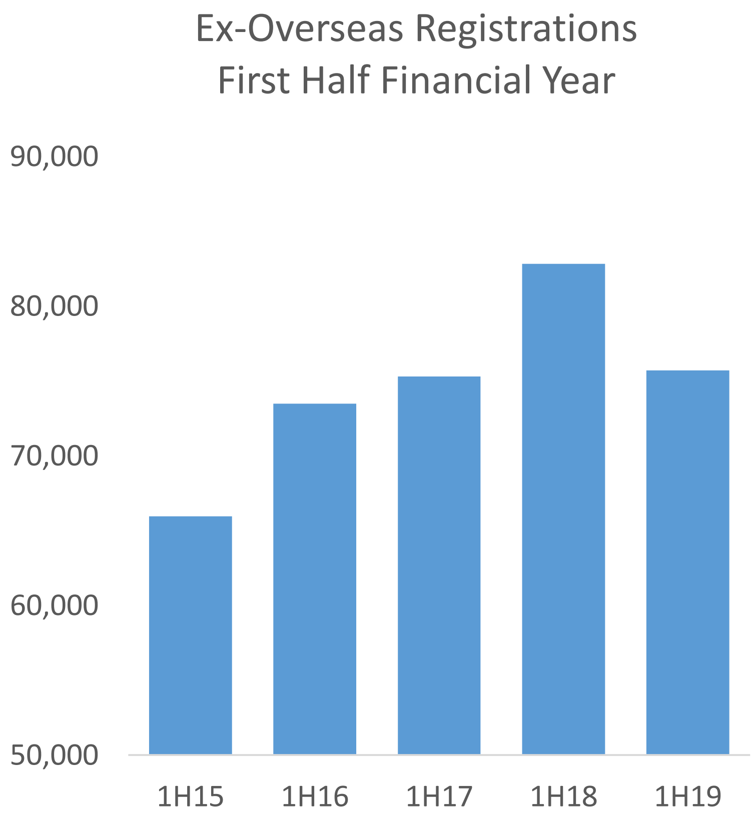
21 years

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

Source: NZTA, Ministry of Transport, MBIE, Turners Market Research Nov 17
Note 1. Dealer-to-public plus ex-overseas sales

HY19 OPERATING ENVIRONMENT

Ex-overseas registrations lower than record 1H18, consistent with 1H17 which was highest on record.



- Softening demand with pressure from increased living and fuel costs
  - Auckland used import sales down 12% on same period last year
  - NZ used import sales down 9%
  - Decline in used imports market has continued into second half of the year
- Margins on all used vehicles being impacted by drop in demand and impact of supply chain issues (Takata airbag recall and Stink Bug mitigation)
- Large numbers of new cars being pre-registered
- Expecting consolidation in the used car industry.

HY19 HIGHLIGHTS AND KEY EVENTS

RETAIL

- Retail sales through Turners Cars up 3% v 1H18
- Expansion of national retail network through relocations, renovations and opening of new sites (Porirua, New Plymouth, Wellington City)
- Buy Right Cars has increased its market share; unit sales up 9%

FINANCE & INSURANCE

- Oxford Finance new consumer lending up 23% to $52m
- Turners Finance origination fully committed to Oxford Finance from September 2018
- Good progress in repositioning Oxford Finance to lower risk lending
- Insurance claims loss ratios have improved from 69% to 65%
- Securitisation warehouse funding limit has been increased to $200M

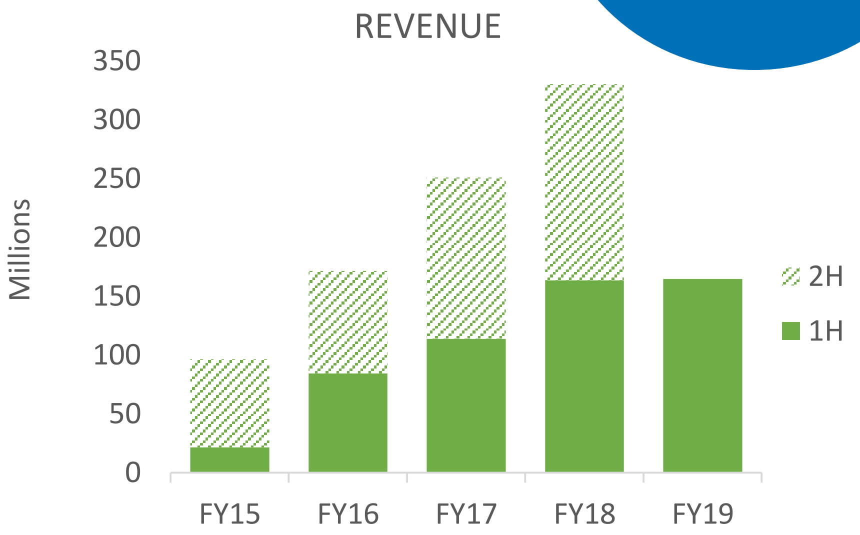
EC CREDIT CONTROL

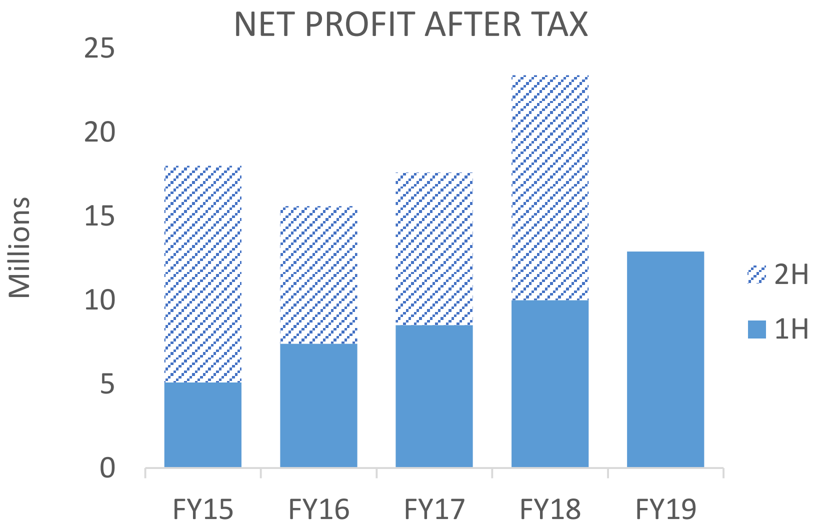
- Dialler technology has delivered significant increase in outbound activity, up 96%, leading to a 20% increase in customer connects
- Increased resource in Australia with objective to build EC Credit Control corporate customer base

HY19 RESULTS SNAPSHOT

Year on year improvement in revenue and profit

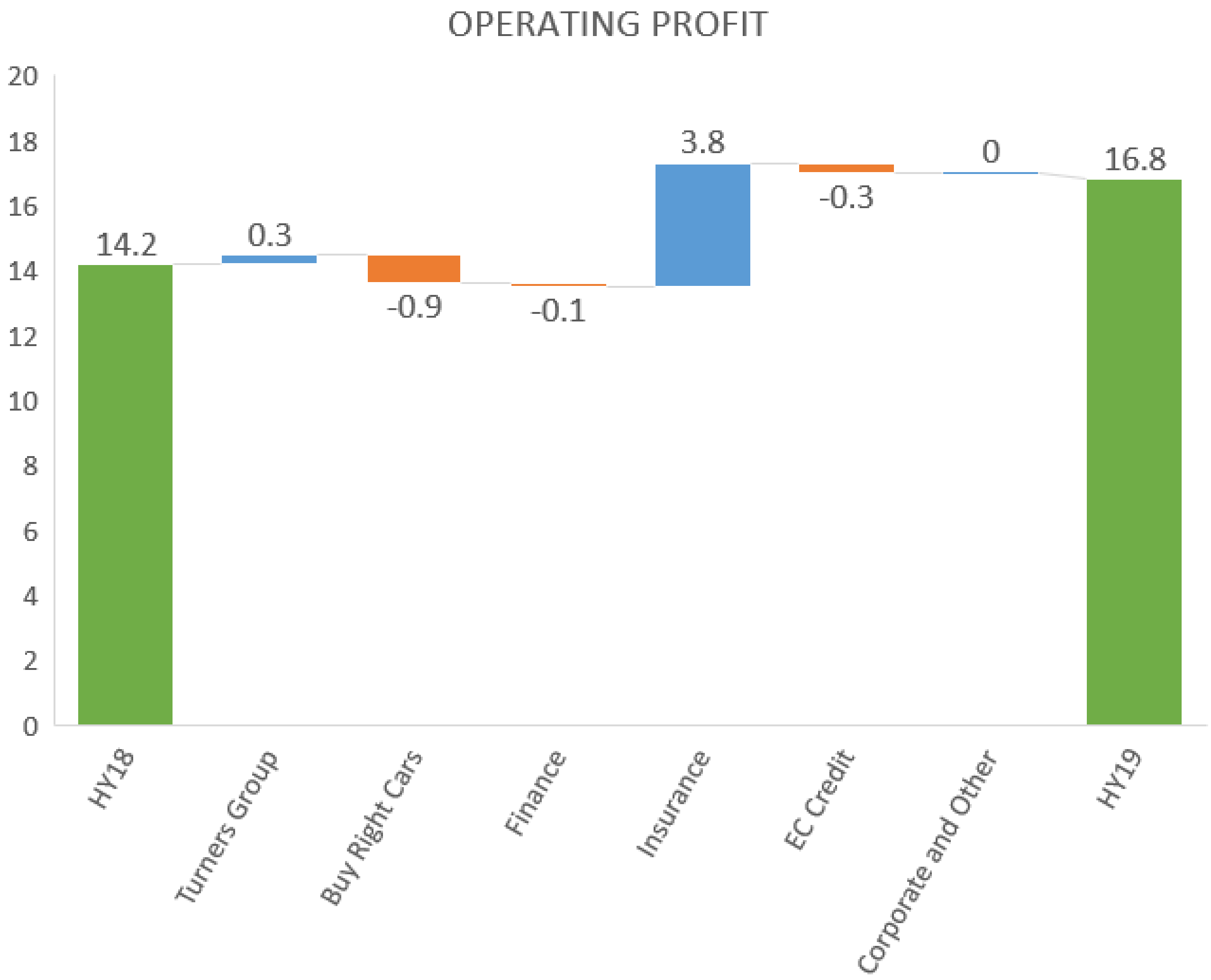
Revenue	**$168.3m, +3%**
Net Profit Before Tax	**$16.8m, +18%**
Net Profit After Tax	**$12.9m, +28%**
NPATA	**$13.7m, +26%**
Shareholders' Equity	**$217.3m as at 30 Sep 18**
Q2 Dividend 4.0 cps	**Total HY Dividend 8.0cps**
Earnings Per Share	**15.19cps (HY18 13.36cps, +14%)**





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

HY18: HY19 PROFIT BEFORE TAX BRIDGE



- Turners Group improvement in retail sales & market share, however commercial business soft
- Buy Right Cars impacted by old stock clearance and reduced margins due to challenging import market conditions (demand, stink bug and Takata airbag recall.)
- Finance result materially impacted by impairment in the MTF non-recourse channel
- Insurance result reflects improvements in underlying business particularly in claims management, and property profits ($3.4m)
- EC Credit down due to loss of key Australian corporate client and reduction in unredeemed voucher liability release

RECONCILIATION: NPBT TO UNDERLYING NPBT

$000s	HY19	HY18	Var
Underlying Operating Result	13,256	12,864	3%
Other Adjustments			
Sale of 133 Roscommon Road	3,457	0	
EC Voucher liability	84	241	
Turners Group - MTF shares	0	589	
BRC Earn out adjustment	0	550	
Total	3,541	1,380	
Profit before tax	**16,797**	**14,244**	**18%**

- Property sale and lease back in line with Turners' property strategy
- Total "unredeemed voucher liability" for ECCC stands at $1.7m as at 30 Sept 18
- Prior year revaluation of shareholding in MTF shares to adjusted market value
- Prior year reduction in BRC earnout consideration and interest payable based on reduced profit achievement.

BALANCE SHEET

$000s	HY19	HY18
Cash and cash equivalents	24,085	69,472
Financial assets at fair value	55,272	10,965
Finance Receivables	290,091	269,229
Inventory	42,877	42,143
Property, Plant and Equipment	35,122	23,736
Other Assets	39,903	35,300
Intangible Assets	170,843	171,527
TOTAL ASSETS	**658,193**	**622,372**
Borrowings	330,291	306,786
Other Payables	28,010	29,721
Deferred Tax	17,614	20,044
Insurance Contract Liabilities	49,920	46,749
Other Liabilities	15,011	18,336
TOTAL LIABILITIES	**440,846**	**421,636**

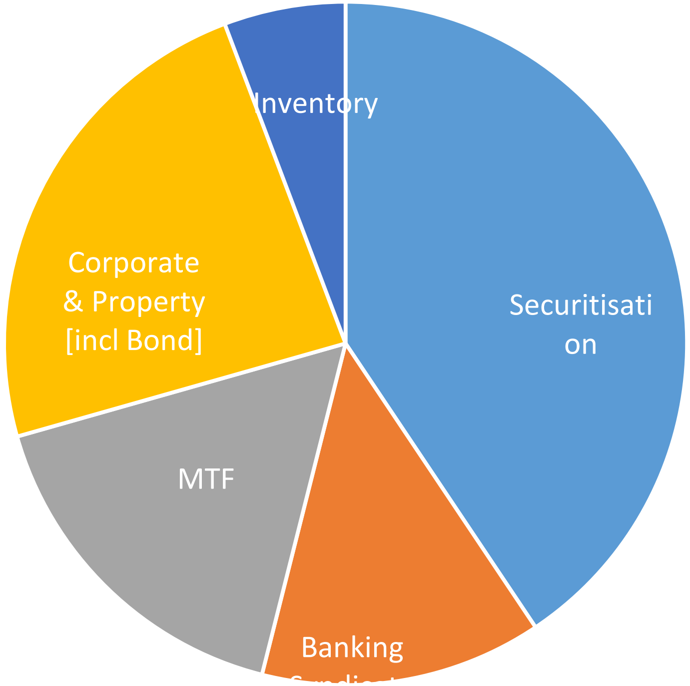
- Reduction in cash balances due to investment of insurance reserves into longer dated term deposits
- Growth in Finance Receivables resulting in increased borrowing
- Inventory has grown from import purchase brought forward
- Property, plant and equipment includes acquisition of two development sites
- Insurance contract liabilities increase reflect growth in Autosure policy sales

FUNDING MIX

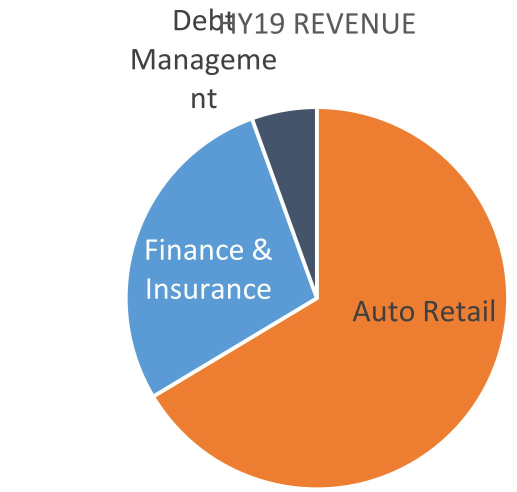
Borrowings $Millions	Limit	Drawn	Undrawn
Receivables – Securitisation (BNZ)	150	134	16
Receivables - Banking Syndicate (ASB/BNZ)	70	44	26
Receivables – MTF	70	55	15
Corporate & Property [incl Bond]	88	78	10
Inventory (ASB)	30	19	11
Totals	**408**	**330**	**78**

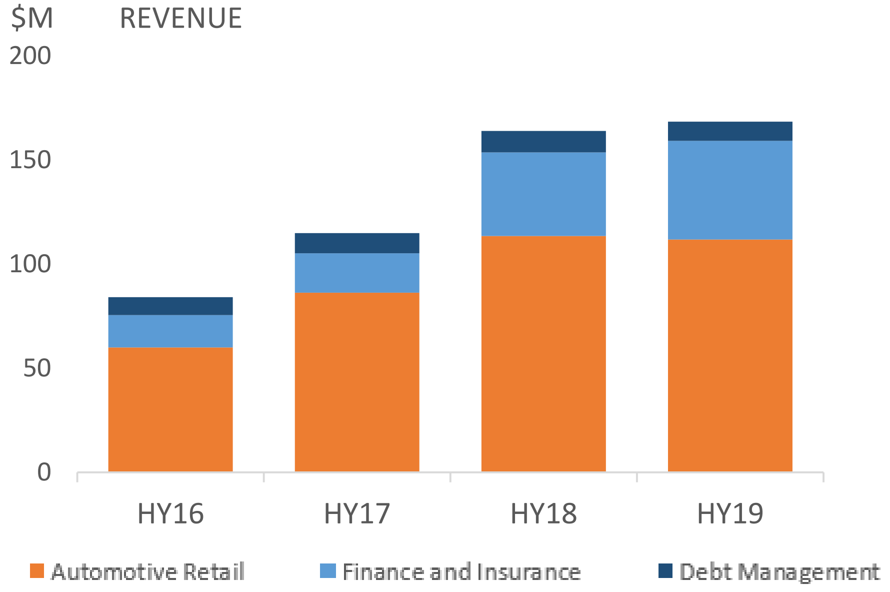
- Banking syndicate (BNZ & ASB) established May 2018
- Securitisation funding facility limit extended to $200m November 2018

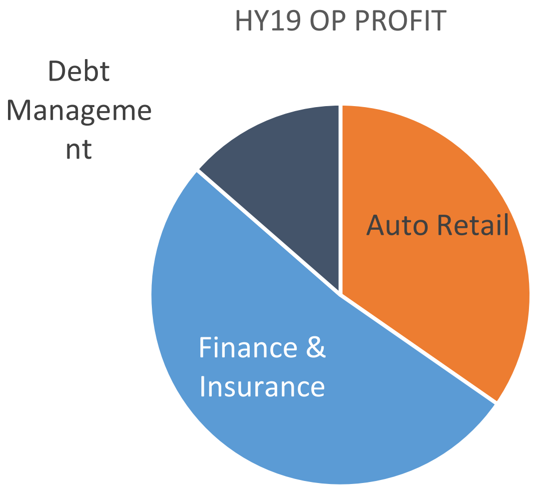
BORROWINGS BY UTILISATION
As at 30 Sept 2018

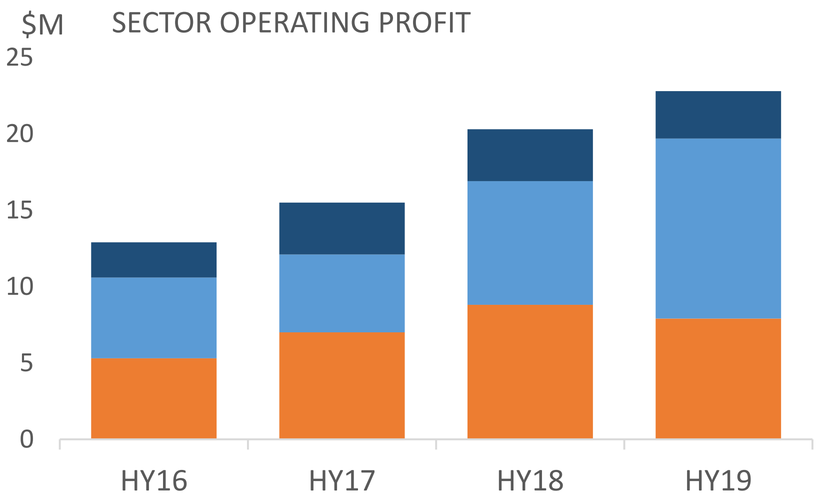


HY19 SECTOR RESULTS









Annual trends reflect acquisition vs organic growth.

HY19 – focus on growth of existing businesses after period of sustained acquisition activity

Strong performance from Insurance, offsetting headwinds in the second hand vehicle market and repositioning of finance portfolio towards lower risk, higher quality lending

Balance between transactional income from Auto Retail and annuity income from Finance & Insurance.

AUTOMOTIVE RETAIL

Revenue 111.8m -1.5%, Op Profit $8.0m -8.6%

Wellington City Branch

TURNERS GROUP
REVENUE $79.6M, DOWN 6%. OP PROFIT $7.5M, UP 1.4%

- Continuing increase in fixed price sales (cf auction or tender) - up 3% YoY, with sales to end users at 68% of all car purchases
- Owned fleet reduced to 48% from 50% in H1 FY18 due to increase in consignment units.
- Damaged vehicle revenue up 9% in 1H19 off the back of new agreements with insurance businesses to sell write-off vehicles
- Continued expansion of physical footprint with benefits to be delivered in second half (New Plymouth and Wellington City)
- Redirect of Turners Finance into Oxford Finance, piloted in July with full transition completed in September.

AUTOMOTIVE RETAIL
Revenue 111.8m -1.5%, Op Profit $8.0m -8.6%

Hamilton Buy Right Cars : The first Buy Right Cars site outside of Auckland

BUY RIGHT CARS

REVENUE $32.2M, UP 11%. OP PROFIT $0.5M, DOWN 63%

- New branch opened in Hamilton in September…performing above expectation.
- Gross margins per vehicle down 20% to $1,926 per vehicle due to clearance of old stock and market conditions
- Focus on increasing the proportion of NZ New cars sold vs imports (higher margin and quicker turn)
- Decrease in Average Days In Inventory to 152 days (1H18: 182 days)
- Finance penetration remains at market leading levels 45% YTD
- Turn around taking longer than expected due to market conditions

AUTOMOTIVE RETAIL
EXPANSION & PROPERTY STRATEGY

- Opened three new sites at end of 1H19 – Hamilton BRC, Wellington City Turners, New Plymouth Turners in start up phase
- Lease or buy options considered on merit
- Sold 133 Roscommon Road, Wiri to Argosy Property for $8.6M to provide funds to complete North Shore and Whangarei developments
- Developing in-house expertise

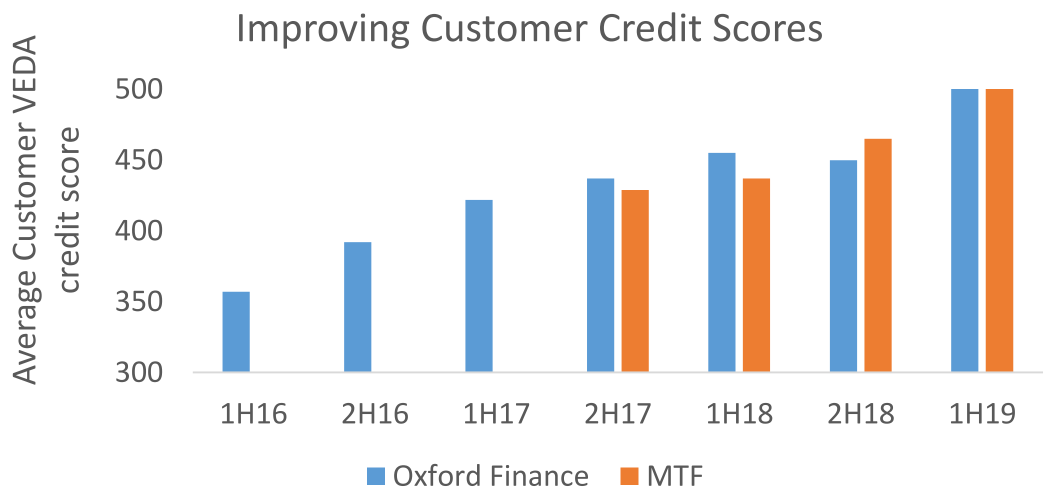
Buy Right Cars Hamilton

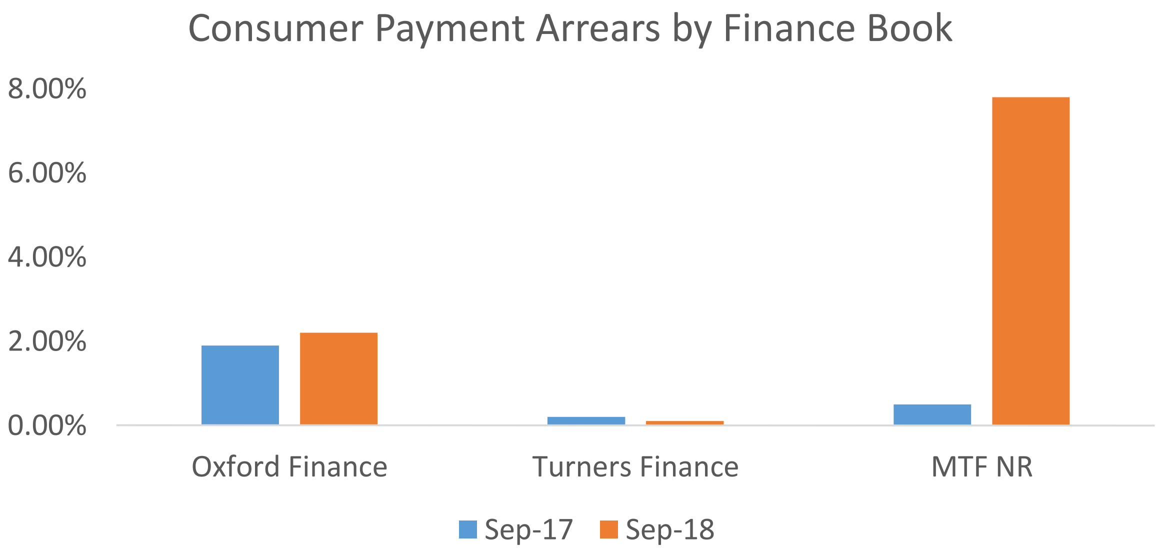
Wellington City Turners Cars

New Plymouth Turners cars

FINANCE

Revenue 21.6m +21%, Op Profit $5.4m -2%

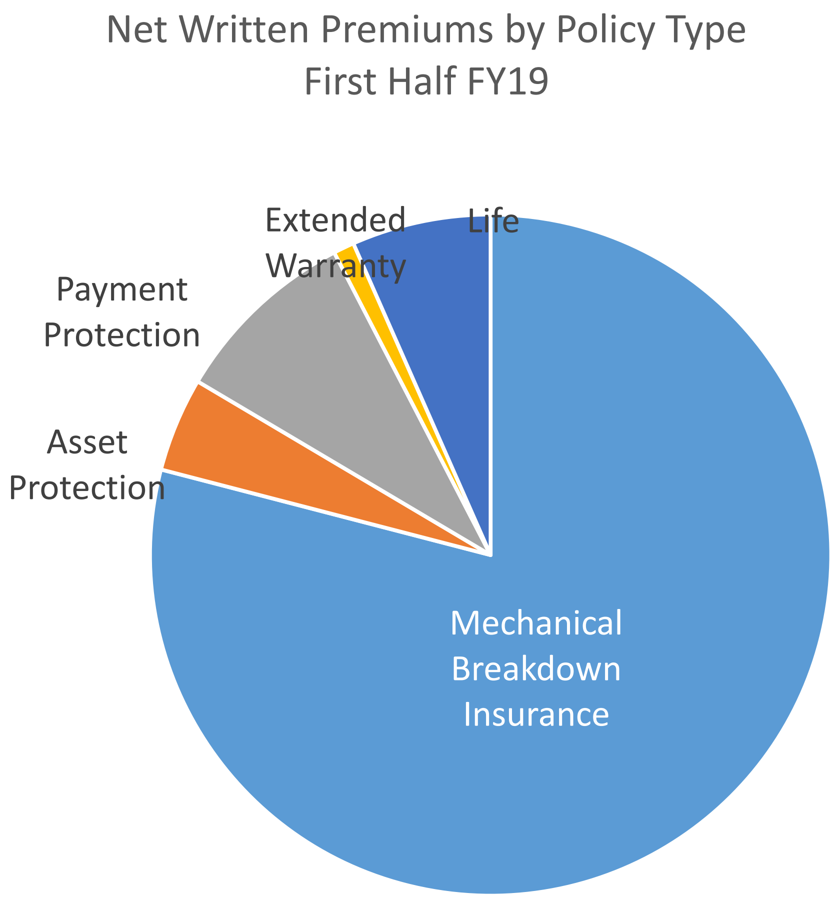




- Good progress on repositioning towards lower risk borrowers through tightening of credit policy with particular focus on affordability assessments
- Total instalment arrears tracking at 2.6% (1.0% at end-Sept 2017)
- Impairments on higher risk lending categories has been worse than expected.
- Turners Finance loans redirected into Oxford away from MTF new lending at $7.7m at end of Sept
- Consumer lending through dealer channels up 23% to $52m.

INSURANCE

Revenue $25.7m +15%, Op Profit $6.4m +144%

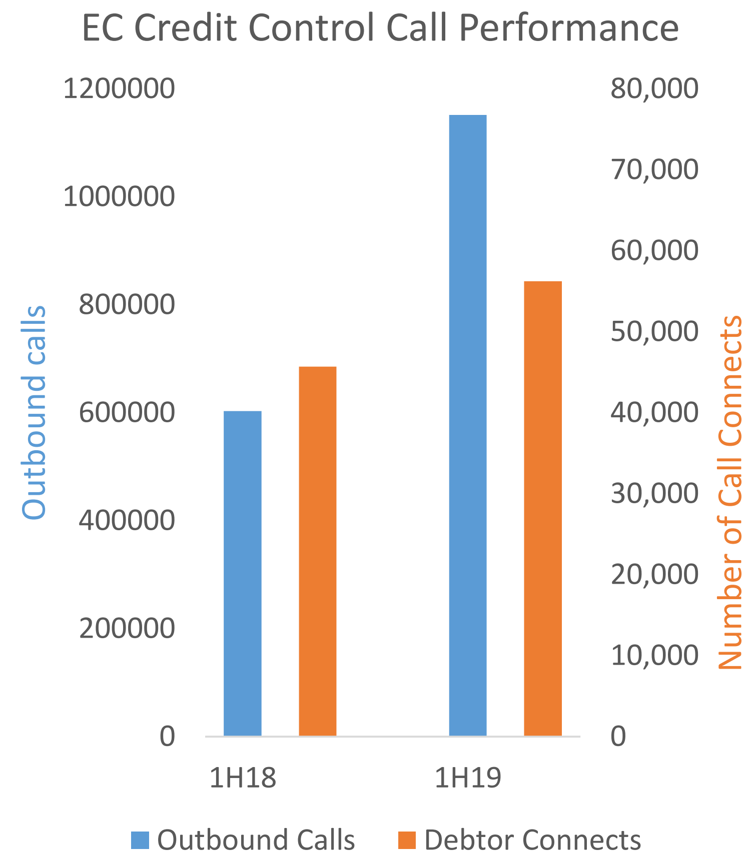


- Improvements in loss ratios across all insurance products. Combined loss ratio 65% (1H18: 69%)
- MBI loss ratio at 76% (1H18 at 78%)
- Re-pricing for risk has been extensively rolled out across the network
- Investment income up 37% to $1.36m off the back of Turners property strategy
- Project to rebuild core origination system has started and is tracking well for delivery Q1 FY20, which will enable more agile product design and delivery
- Focus on training and development helping to win new originators
- Result includes gain on sale in property of $3m

CREDIT MANAGEMENT

Revenue $9.3m – 9% Op Profit $3.1m -10%

96% increase in outbound calls, leading to a 20% increase in customer connects



- Continue to increase debt load from key NZ corporate accounts at expense of competitors (debt load up 24%)
- Collections scorecard developed and being used with banking customers
- Increased level of resource in Australia to lift corporate debt load (under penetrated)
- Auto Dialler technology performing well and creating significant lift in productivity (see chart)
- Result includes $0.1m unredeemed voucher release ($0.4M FY18), we expect this to be the run rate level of release moving forward

2H19 OUTLOOK

- The business has shown some resilience through tough market conditions through Q1 and bounced back strongly in Q2 and the diversified revenue streams have really demonstrated their value through the first half of this year.
- However, market conditions, particularly in the used import market, remain challenging and pressure is being placed on vehicle margins.
- Within the key market of Auckland we have seen a material reduction in demand which we attribute to the cost pressures being experienced by many people across the Auckland region in fuel prices, rents, and other household costs.
- A potential downside impact of 5 - 10% to forecasted pre-tax profits if current market conditions persist.
- Strong balance sheet position and share price dynamics result in Directors' decision to undertake On-Market Share Buyback programme of up to 5% of shares on issue.
- We expect the market to come back into demand and supply balance through 2019 with Turners very well placed to participate in industry consolidation that will inevitably arise.

KEY FOCUS FOR 2H19

- AUTO RETAIL – lift finance attach rate through training and development, establish new branches into operating rhythm, managing inventory levels, complete property projects, cost and sales volume focus.
- FINANCE – implement comprehensive credit reporting, introduce automated tools for affordability assessments, continue shift towards lower risk lending
- INSURANCE – continue re-pricing for risk, replace retail policy selling system, run claims as efficiently as possible, continue investment in dealer upskilling
- CREDIT MANAGEMENT – corporate customer acquisition Australia, utilise collections scorecard, target higher debt load from existing SME customers

KEY FOCUS FOR FY20

- AUTO RETAIL – develop and extend retail footprint, deliver better digital and mobile customer experience, building data tools to understand demand, develop new sourcing opportunities
- FINANCE – Extend distribution through use of APIs and partnerships, grow direct lending, further automate the credit decision process
- INSURANCE – increase distribution, launch new products and deliver on retail system development, optimise repair network
- CREDIT MANAGEMENT – Australian corporate customer acquisition, MYOB / XERO integration, further enhance collections scorecard

Contact:

Todd Hunter
CEO Turners Limited
T: 64 21 722 818
E: todd.hunter@turners.co.nz

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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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