

14 March 2019

Turners Automotive Group at the Forsyth Barr Emerging Companies Conference

Turners Automotive Group present today at the Forsyth Barr Emerging Companies Conference.

ENDS

About Turners

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

For further information, please contact:

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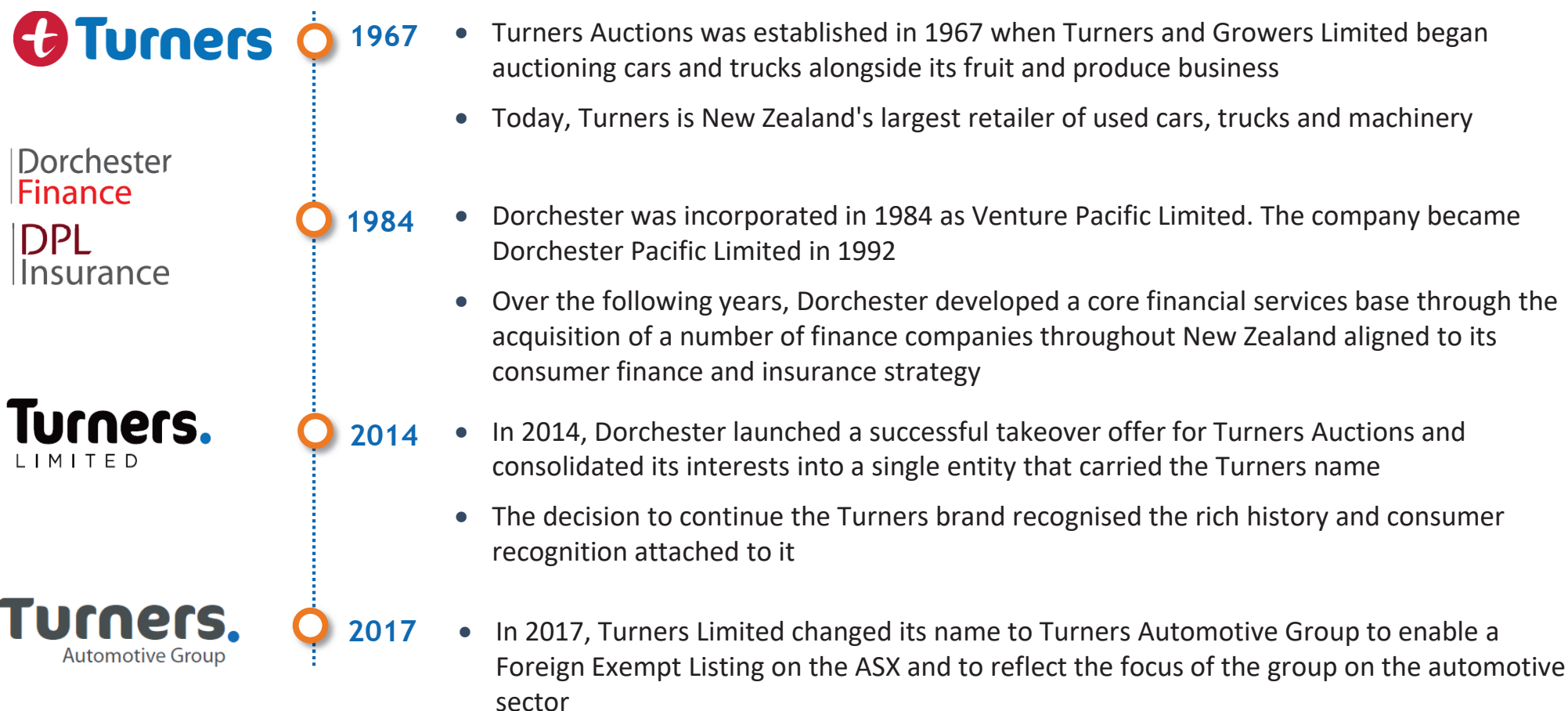
Forsyth Barr Investor Day - March 2019

Todd Hunter: Chief Executive Officer



History of Turners Automotive Group

Turners Automotive Group was formed through the 2014 merger of New Zealand's largest vehicle and machinery retailer, Turners Auctions, and leading consumer finance and insurance business, Dorchester Pacific.



Turners Overview

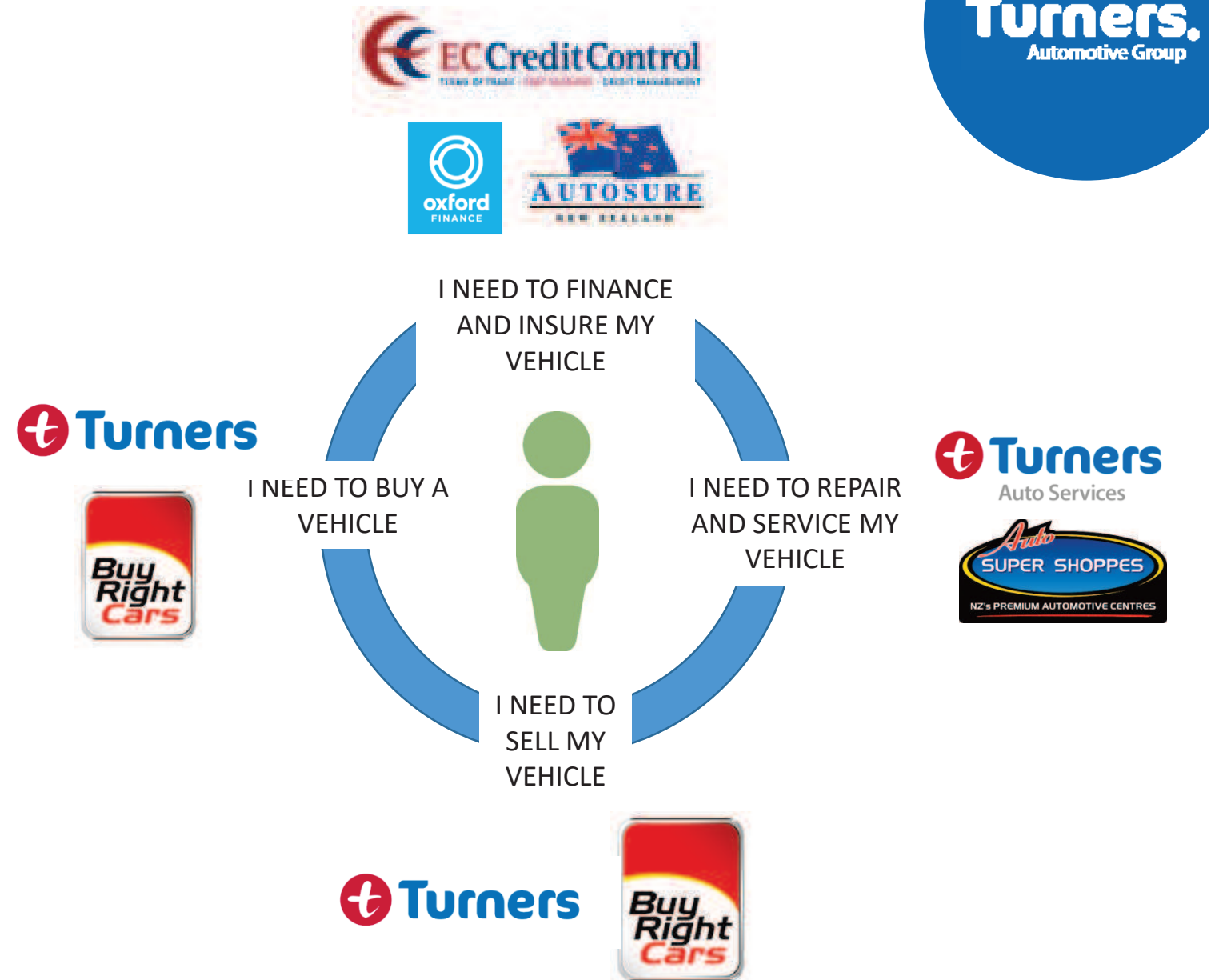


“Ollie” star of the Turners TV commercials

- Turners employs approximately 800 New Zealanders
- Operations from Whangarei down to Invercargill within NZ, and in Australia
- NZ’s largest seller and buyer of used vehicles
- Importing approximately 6,000 cars from Japan per annum
- Currently lend around \$290M to kiwis for buying cars, trucks, plant and machinery
- Operate in 4 broad segments – auto retail, finance, insurance, debt management
- NZX & ASX listed business with around 4,000 shareholders

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.



Key Business Strengths

- 1 Leading market position in core business, automotive retail, provides new business opportunity across the group for transactional margins and annuity finance and insurance revenues.
- 2 Used vehicle sales is a growing industry, and the high level of industry fragmentation presents an opportunity for Turners to consolidate
- 3 Focus on growing organic market share in all operating sectors through improving customer experience, and integration opportunities through cross-selling of finance and insurance products.
- 4 Strong capital structure and debt headroom as a result of recent banking syndication and equity raises
- 5 Sustainable growth strategy is delivering increasing shareholder value with track record of improving financial results, increasing dividend pay-out with quarterly dividend payments
- 6 Experienced management team with oversight from professional and engaged Board of Directors

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Kiwi's are
passionate
about cars

The Kiwi Used Car Economy is Large

3.85m

Light vehicles in the NZ vehicle fleet



61%

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



11,700 EVs

11,700 EVs as at the end of
December 2018

14yrs

Is the average age of used
vehicle in NZ since 2013,
compared to Australia at 10
years

164,000

used cars were imported
into NZ in year ended Mar
18



0.82 cars

owned per capita 4th highest
ownership levels globally

20%

Of the vehicle fleet are more
than 20 years old

3,400

Registered dealers
in NZ, down 100 in last 10
months

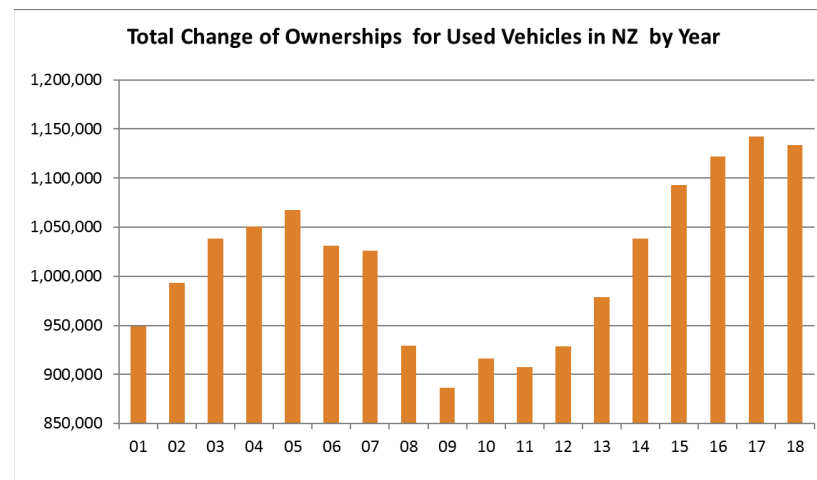
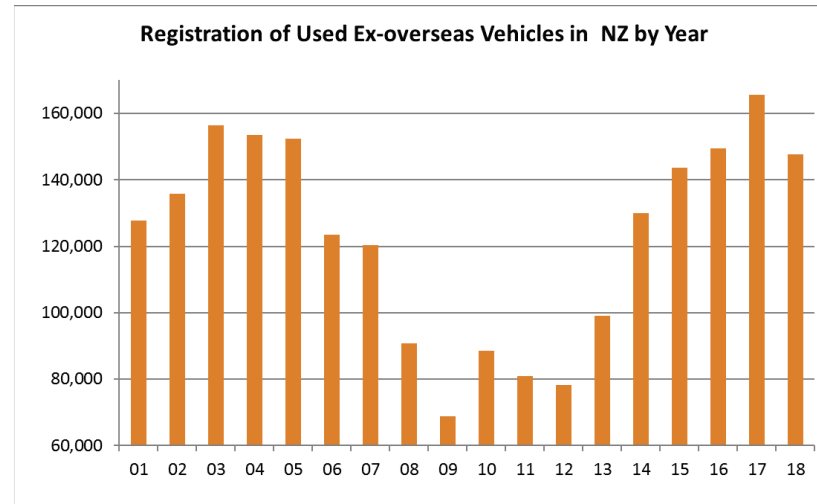


21 years

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

NZ Used Car Market Still at Strong Historic Levels



- Car markets have been growing strongly and have come off their peak
- NZ now ranks 4th globally in the number of cars per capita 0.82 (Australia 7th 0.62, UK 37th)
- Underlying demand still strong with old cars needing to be replaced and a stricter WoF regime from NZTA
- Based on historic levels the total number of transactions still at high levels
- Correction / consolidation occurring in the dealer markets which is good for Turners med/long term

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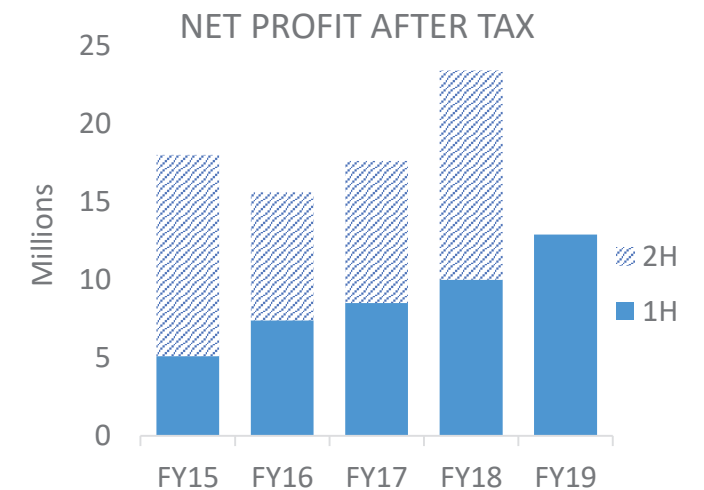
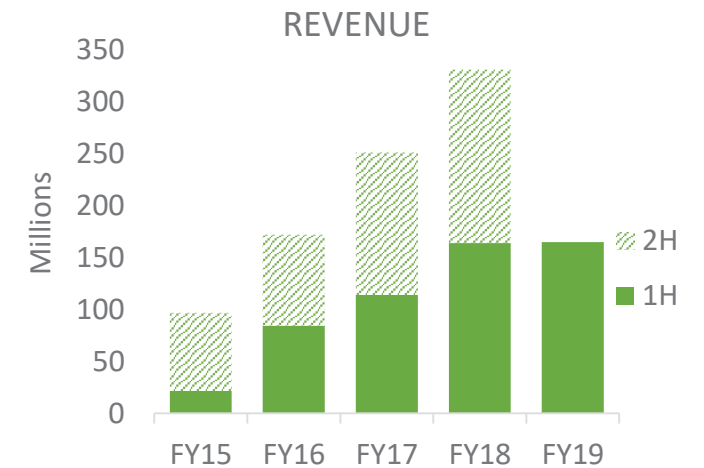
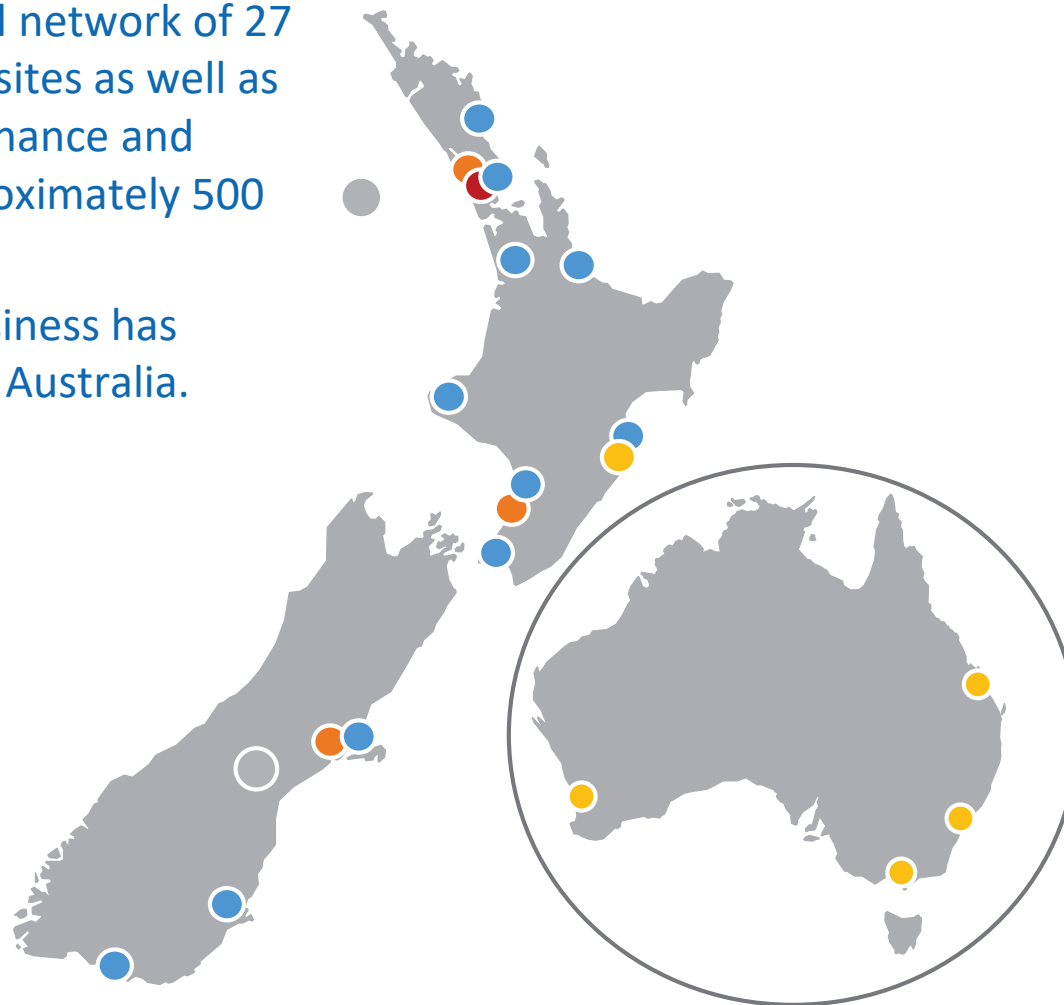
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Turners Footprint Continues to Grow Organically and Through Acquisitions

Turners operates a national network of 27 branded automotive retail sites as well as a referral network for its Finance and Insurance business of approximately 500 sites across New Zealand.

Our Debt Management business has offices in New Zealand and Australia.

- Turners Group**
25 branches in 15 cities and 350 staff
- Finance**
Three regional business and 55 staff
- Insurance**
Two offices and 13 staff
- Debt Management**
Five offices and 145 staff
- Buy Right Cars**
10 sites in Auckland, 1 in Hamilton



Automotive Retail Property and Expansion Strategy

- Opened three new sites at end of 1H19 – Hamilton BRC, Wellington City Turners, New Plymouth Turners in start up phase, Whangarei relocation just completed
- 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
- Commitment made to new branch in Westgate (planned for opening Q2 CY20)



Whangarei Turners Cars



Wellington City Turners Cars



New Plymouth Turners cars

Automotive Retail

HY19 Revenue 111.8m -1.5%, Op Profit \$8.0m -8.6%
FY18 Revenue \$223.2m +16%, Op Profit \$16.6m +8%

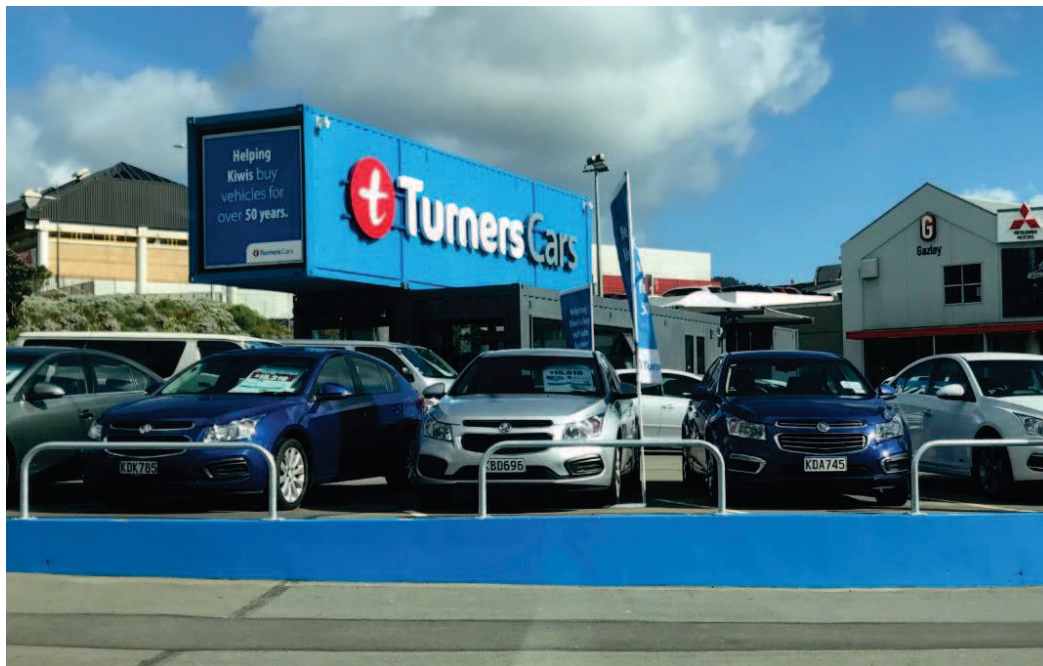


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TURNERS GROUP

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



Wellington City Branch

- 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

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

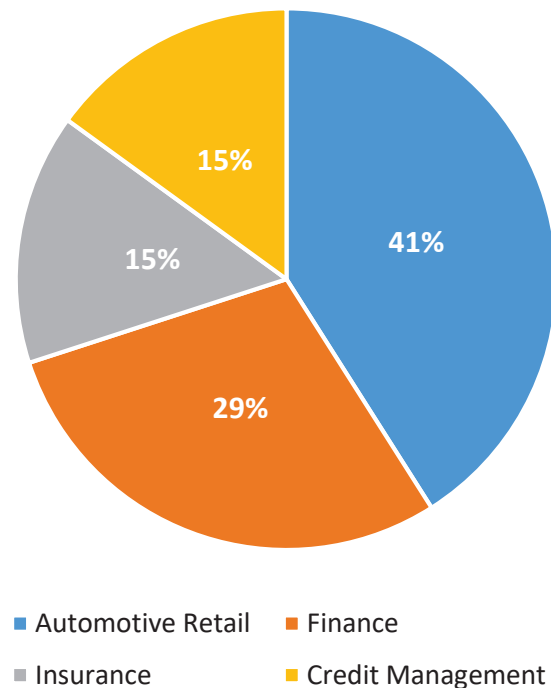
BUY RIGHT CARS

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

Why the Integrated Model Works

FY 2018 Operating Profit

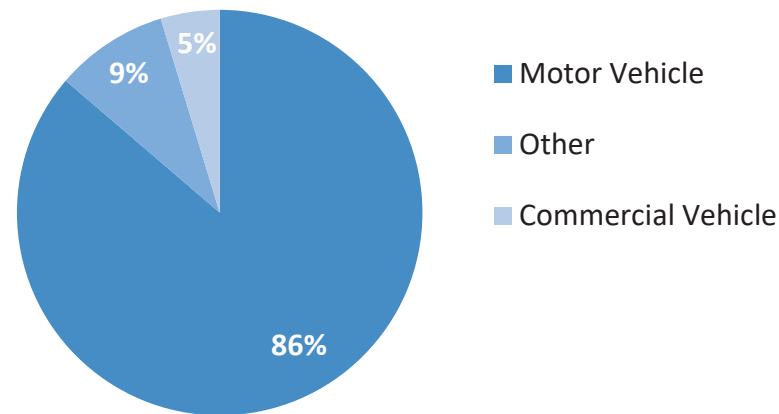


- In Turners' controlled channels, more margin per transaction is earned
- Diversification of earnings
- Capturing both underwriting (finance and insurance) and retail commissions
- Integrated model provides insulation against market and regulatory changes
- Annuity revenue from finance and insurance means more predictable and consistent earnings
- Enabling faster and higher quality development of systems (Turners has its own test platform internally)

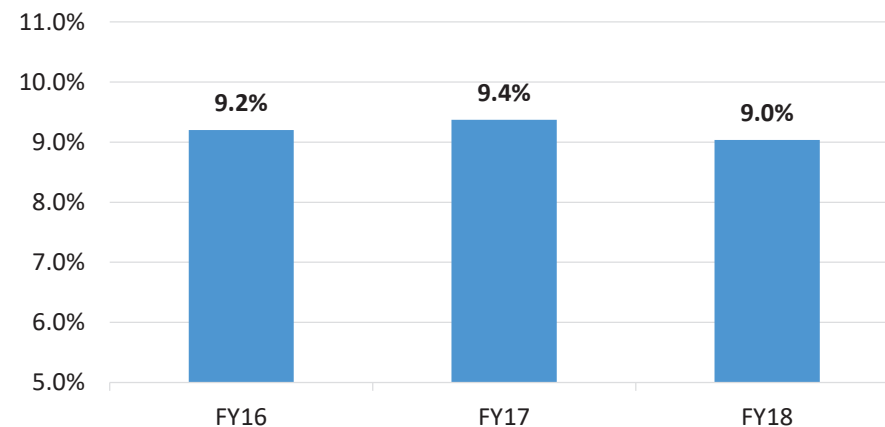


Vehicle Finance Provision Flows Naturally From Auto Retail

FY18 Total Lending by Asset Class



Net Interest Margin



- 80% of used car buyers require some form of financing to purchase vehicles in NZ
- Traditional banks tend not to offer vehicle finance as a core product leading to high fragmentation in the vehicle finance market.
- Turners offers a range of finance through our own captive retail channels and with 3rd party dealers providing a strong competitive advantage against non-incumbent providers
- 80% of Turners business comes from a network of referrers
- Turners finance book increased to \$290 million in Sept 2019 providing more than 14,000 loans during the year

Finance

HY19 Revenue 21.6m +21%, Op Profit \$5.4m -2%

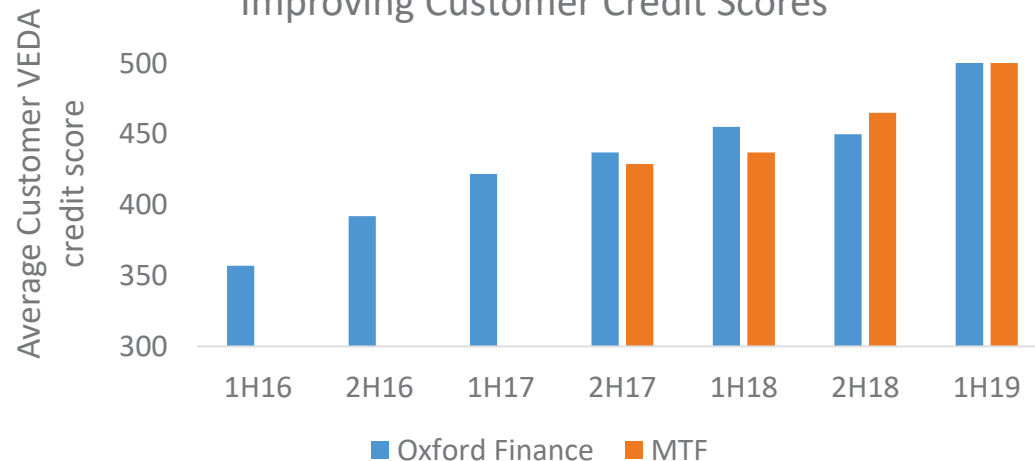
FY18 Revenue \$39.7m +48%, Op Profit \$11.7m +16%



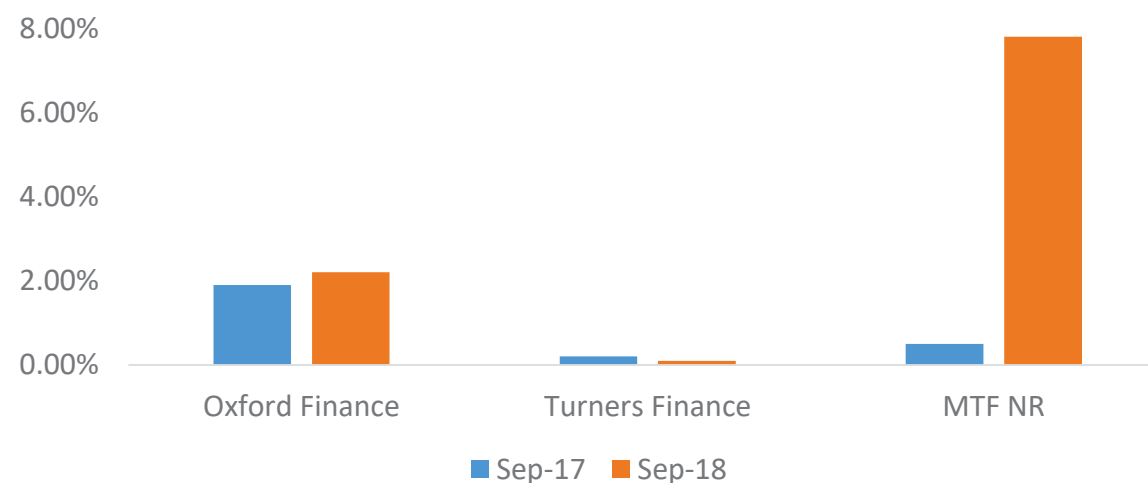
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Point of sale
financing
enhances returns

Improving Customer Credit Scores



Consumer Payment Arrears by Finance Book



- 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.

Vehicle Insurance Provides High Margin Low Capital Intensity Product Integration at the Point of Transaction



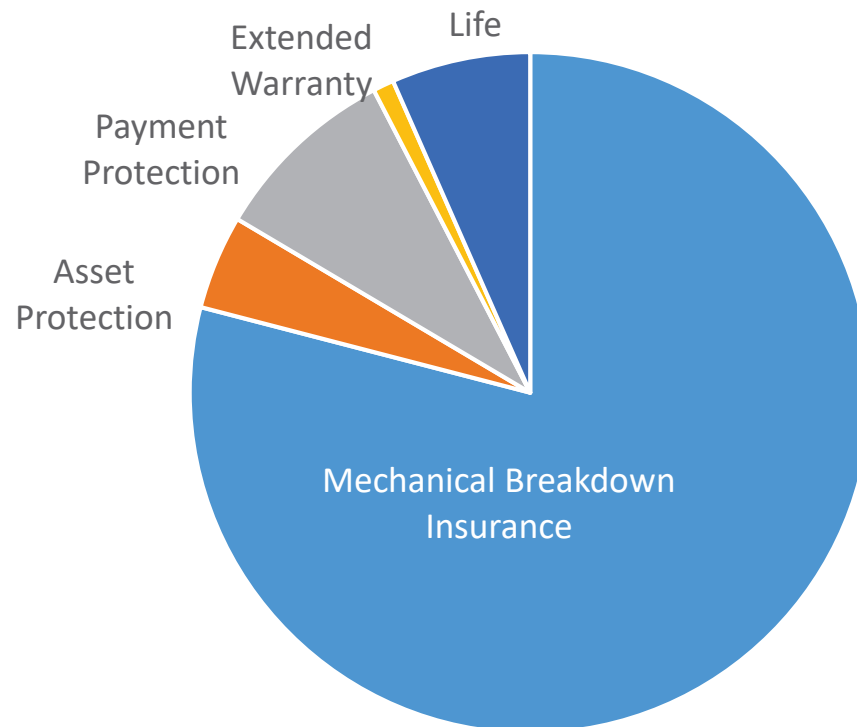
- Vehicle insurance policies are purchased by 92% of the NZ driving population.
- Turners have a range of insurance products available at the point of transaction creating strong customer incumbency and can be extended to other dealers.
- In 2018, 8,500 policies were sold through Turners captive channels
- Turners has a 10 year partnership with Suncorp/Vero to resell their motor vehicle insurance.
- The Autosure brand focuses on core products of Mechanical breakdown insurance, and Loan repayment insurance
- Turners Long Term Issuer Credit Rating was recently confirmed BBB- stable

Insurance

HY19 Revenue \$25.7m +15%, Op Profit \$6.4m +244%

FY18 Revenue \$46.9m +283%, FY Op Profit \$5.7m, +518%

Net Written Premiums by Policy Type
First Half FY19



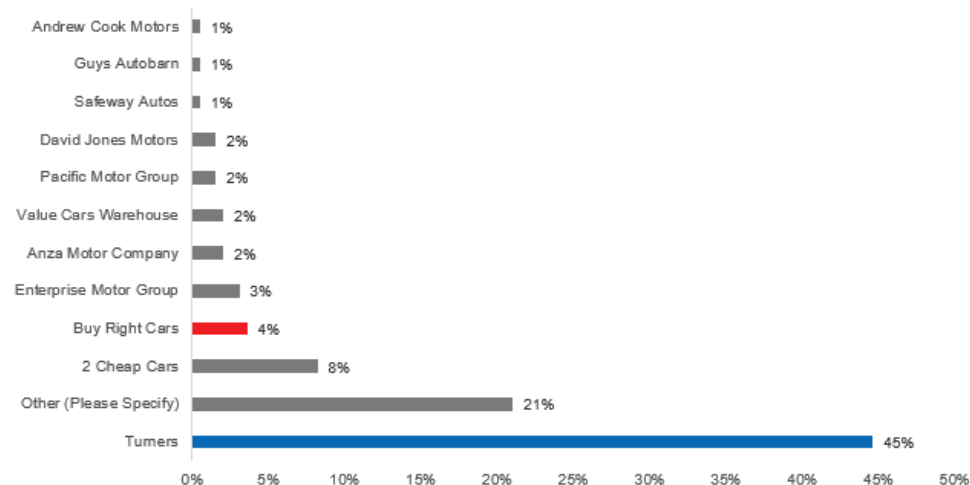
- Autosure acquisition creates step change in scale of insurance business
- Improvements in loss ratios across all insurance products. Combined loss ratio 65% (1H18: 69%)
- MBI loss ratio at 76% (1H18 at 78%)
- Re-pricing for risk has been extensively rolled out across the network
- Investment income 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

Turners is the Market Leader and Most Trusted Used Car Brand in New Zealand

KEY INSIGHT #6:

Turners is seen as the most trustworthy used car dealer in New Zealand

Market View of trust



C3B Which NZ used car dealership do you think is the most trustworthy?
Base: market sample n= 200

- The Turners brand is culturally synonymous with the used car market in NZ, building track record and trust for over 50 years
- Independently confirmed as New Zealand's most trusted used car dealer
- 23% of New Zealand drivers say they are very likely or extremely likely to buy a car in the next 12 months.
- Familiarity, scale and full service offering sets Turners apart from competitors and non-dealer channels creating a market leading position
- The Oxford Finance, Autosure and ECCC brands are established and well known to customers providing the desired specialist packaging for a full product offering

Digital Strategy is a Core Focus Driving Improved Customer Experiences and System Control Efficiencies



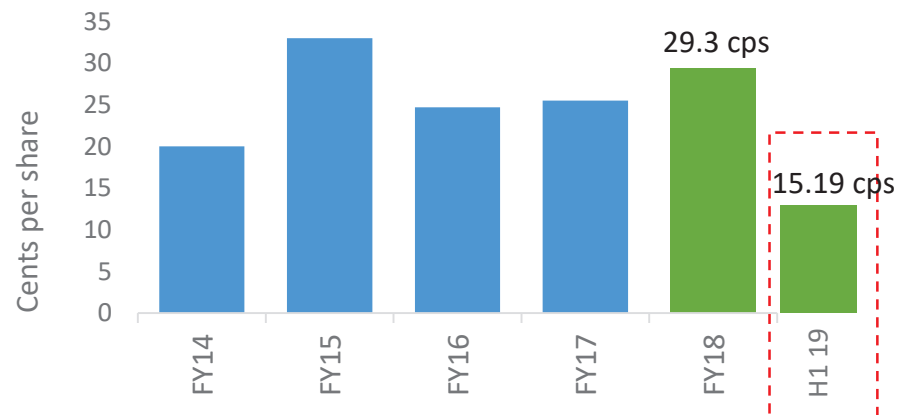
- Consumer Demands :
 - Tech savvy and informed buyers and sellers require accurate and easy to access information. Our in person approach and online strategy are highly complimentary.
 - Web traffic to www.turners.co.nz up 8.5% Sept YTD to 1.15 million users, NZ's second most popular auto website.
- Wealth of Data Captured :
 - Driving value from data knowledge within the business to engage with customers and deliver better service.
 - Life cycle motor vehicle events and customer behaviour are key areas of focus in data intelligence
- Quality and Risk Efficiencies
 - AutoApp enhancements will improve the ability for dealers to transact insurance and finance products through one system in addition to providing credit scoring and approval tools
 - Smart data analytics provides accurate pricing discovery and competitive advantages for Turners insurance offering

Turners is Highly Cash Generative Providing a Strong Dividend Yield Proven Track Record in Growth

FULL YEAR DIVIDENDS UP 7%



EARNINGS PER SHARE



- Turners has consistently generated strong cashflow and maintained a 50-60% dividend payout ratio
 - Committed to a minimum 17 cps total pay out for FY19
- Earnings per Share is consistent
- Share buyback programme of up to 5% announced after H1 19 Interims given strength of the Balance Sheet
- The diversification of Turners' earning stream provides a smoothing effect to revenue given the duration impact of lending
- The ECCC business is a solid and consistent performer providing further sector and geographic diversification with high margin low capital risk

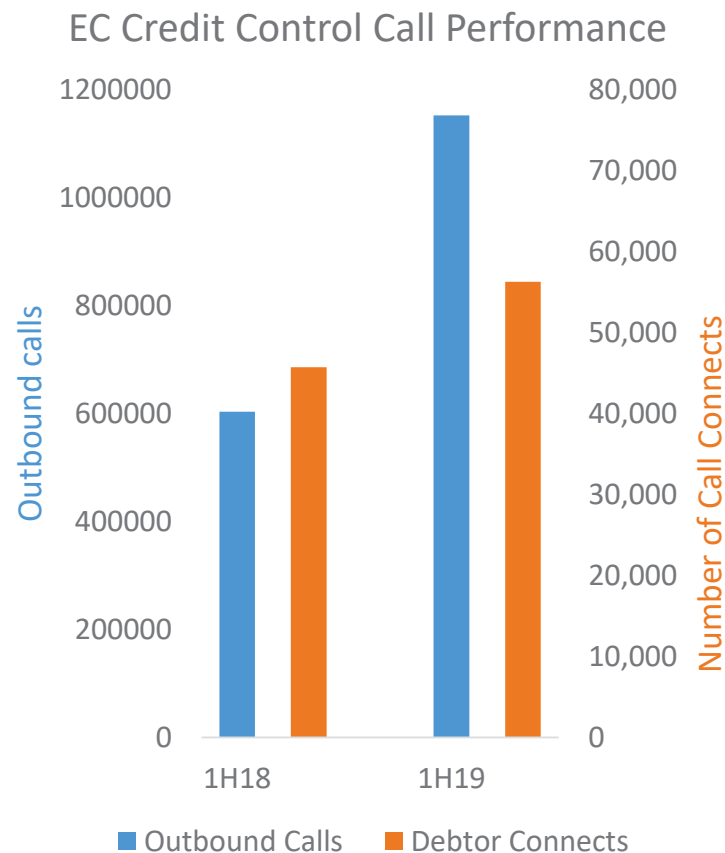
Prior years adjusted for 10:1 share consolidation undertaken in FY16

Credit Management

HY19 Revenue \$9.3m, Op Profit \$3.1m

FY18 Revenue \$18.7m, FY Op Profit \$6.1m

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



- Solid and consistent performer, delivering good cashflow and profitable returns
- 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

Turners Balance Sheet is Well Capitalised

HY19 Assets (\$m)	HY19
Cash and cash equivalents	24
Finance Receivables	290
Property, Plant and Equipment	35
Other Assets	40
TOTAL ASSETS	658

HY19 Borrowings (\$m)	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

- Turners Asset base has increased due to additional finance receivables as the loan book has grown and through property optimisation
 - Further loan book increases will be directed at improving credit profiles
 - Further property optimisations are planned through focused retail site allocations and leaseback options.
- Turners has a diversified funding base utilizing a combination of bank and capital market sources
 - Following further loan book growth, the flexible securitization programme will likely offer investment grade scale refinancing opportunities in capital markets
 - The current bank funding was renewed in May 2018
 - Securitisation funding limit extended to \$200m in November 2018

Key Focus

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

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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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