

Turners NZX Retail Investor Evening

September 2019

Turners.
Automotive Group



Key Points

- Large market with sizeable forward demand
- Generating strong sustainable profits with excellent dividend yields
- Focus on simplification and capital efficient growth
- Strong brand, in expansion mode




Todd Hunter CEO

Market Update



The used car market is large and there are is good forward demand

| | | |
|---|--|--|
| 3.85m Light vehicles in the New Zealand vehicle fleet | 953,000 The number of cars in the light vehicle fleet that are 20 years or older | 1.13 m used cars were traded to the year ended 31 March 2019 down 1% on year ended Mar 18 |
|  | 13,000 EVs The number of EVs registered in New Zealand to end of March 2019 | |
| 140,000 cars Used cars imported from Japan for year ended Mar 2019 down 11% on Mar 18 | 204,000 Average odo reading for a scrapped car in the light fleet for 2017 | 18.5 years The average age light vehicles were scrapped from fleet was 19.5 years for an import and 17.5 years for New Zealand new in 2017 |

Highlights & Divisional Review

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oxford
FINANCE

A quick look back in time...

| As at March YE | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Shareholder Funds (\$m) | 24 | 33 | 74 | 121 | 130 | 169 | 214 | 226 |
| Total Assets (\$m) | 74 | 104 | 127 | 329 | 367 | 557 | 652 | 654 |
| NPBT (\$m) | -1.5 | -0.1 | 4.9 | 19.0 | 21.6 | 24.6 | 31.0 | 29.0 |
| EPS (cents) | (9.1) | 9.0 | 20.4 | 32.8 | 24.7 | 25.5 | 29.3 | 26.2 |
| Shares on issue | 17.6m | 20.8m | 49.4m | 63.1m | 63.4m | 74.5m | 84.8m | 86.9m |
| Share price | \$0.70 | \$2.70 | \$2.40 | \$3.20 | \$3.04 | \$3.63 | \$3.01 | \$2.27 |

Numbers adjusted for 1-10 share swap in 2014

Dorchester
Finance

Dorchester
Life

Oxford
FINANCE

Mainstream
INSURANCE

GREENV/ICH
LIFE INSURANCE

SFL
SOUTHERN FINANCE LTD

PACIFIC LIFE

mtf
vehicle finance

EC Credit Control
TERMS OF TRADE - DEBT RECOVERY - CREDIT MANAGEMENT

Turners

AUTOSURE
NEW ZEALAND

Buy
Right
Cars

Turners

oxford
FINANCE

AUTOSURE
NEW ZEALAND

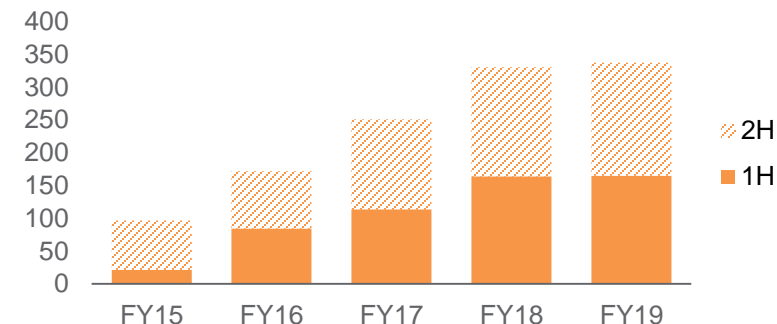
EC Credit Control
TERMS OF TRADE - DEBT RECOVERY - CREDIT MANAGEMENT

FY19 results snapshot

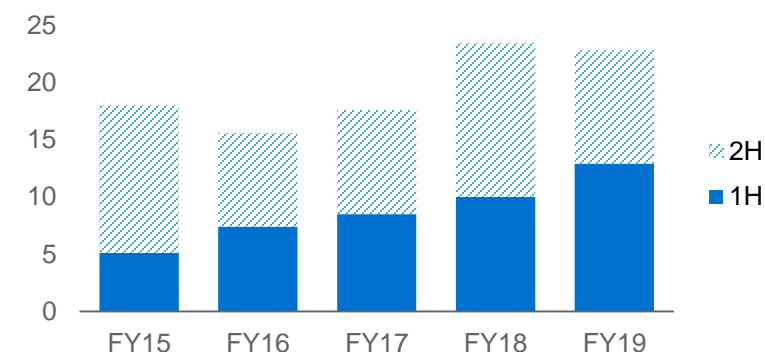
| | |
|--|---|
| Revenue \$336.6m +2% | Shareholders' Equity \$226.4m as at 31 Mar 19 |
| Net Profit Before Tax \$29.0m -7% (\$33.6m excl BRC brand write down) | Final Dividend 5.0 cps Total FY Dividend 17.0cps |
| Net Profit After Tax \$22.7m -3% | Earnings Per Share 26.3cps (FY18 29.3cps, -10%) |
| NPATA \$24.3m -3% | |

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

Revenue (millions)

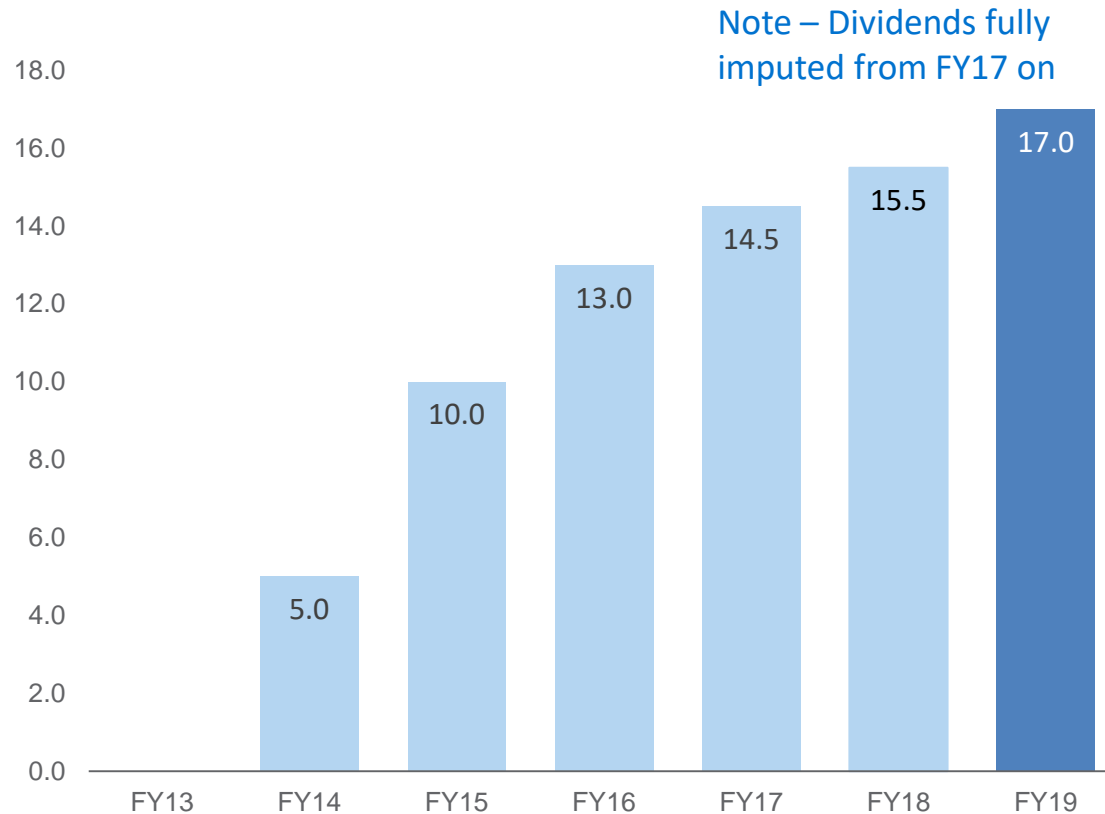


Net profit after tax (millions)



Strong dividend yield will be ongoing

Dividend per Share (Cents)



- Dividend Policy Change: Increase in pay out ratio to 60% to 70% of NPAT
- Reminder we pay quarterly dividend
- FY19 full year dividend of 17.0 cents per share (FY18: 15.5 cps imputed)
- 4.6m shares issued to convertible bond holders
- 2.6m shares purchased during Share Buy Back programme reducing issued shares by 3%. Directors have resolved to recommence share buy back.
- Gross dividend yield of 9.3% at indicative current price of \$2.32

Balance sheet

| \$000s | FY19 | FY18 |
|--------------------------------|----------------|----------------|
| Cash and cash equivalents | 15,866 | 25,145 |
| Financial assets at fair value | 66,252 | 53,378 |
| Finance Receivables | 290,017 | 289,799 |
| Inventory | 38,859 | 38,596 |
| Property, Plant and Equipment | 39,084 | 35,945 |
| Other Assets | 37,100 | 37,887 |
| Intangible Assets | 166,734 | 170,982 |
| TOTAL ASSETS | 653,912 | 651,732 |
| Borrowings | 312,863 | 317,373 |
| Other Payables | 31,729 | 34,875 |
| Deferred Tax | 13,918 | 18,786 |
| Insurance Contract Liabilities | 51,785 | 48,376 |
| Other Liabilities | 17,243 | 17,999 |
| TOTAL LIABILITIES | 427,538 | 437,409 |

- Reduction in cash balances due to investment of insurance reserves into longer dated term deposits
- Change in Finance Receivables reflects growth in Oxford offset by rundown in MTF non-recourse ledger
- Property, plant and equipment increase due to development of new sites in Whangarei and North Shore
- Insurance contract liabilities increase reflect growth in Autosure policy sales

Strategic Review



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Primary drivers



**Strength of
Turners brand**



**Complexity of
existing business**



**Growth of NZ's
ageing vehicle fleet**



**Demand for
digitisation**



Industry-leading brand

With over 50 years in the market, we are the largest and most-trusted brand in the industry.

90%

Brand awareness in the New Zealand market

Turners

90%

2 Cheap Cars

60%

Enterprise Motors

52%

Buy Right Cars

34%

Pacific Motors

30%

45%

View Turners as the most trustworthy used car dealer in New Zealand

Turners

45%

Other

21%

2 Cheap Cars

8%

Buy Right Cars

4%

Enterprise Motors

3%

Source: TRA Qualitative and Quantitative Study, 2017.

Summary of our plan...

Our strategy is to...

- Simplify the business
- Accelerate growth in a capital efficient way
- De-risk by focusing on our core business and strengths

This will enable us to...

- Significantly increase market share in the core business of Auto retail and
- Participate in new and innovative auto adjacent opportunities

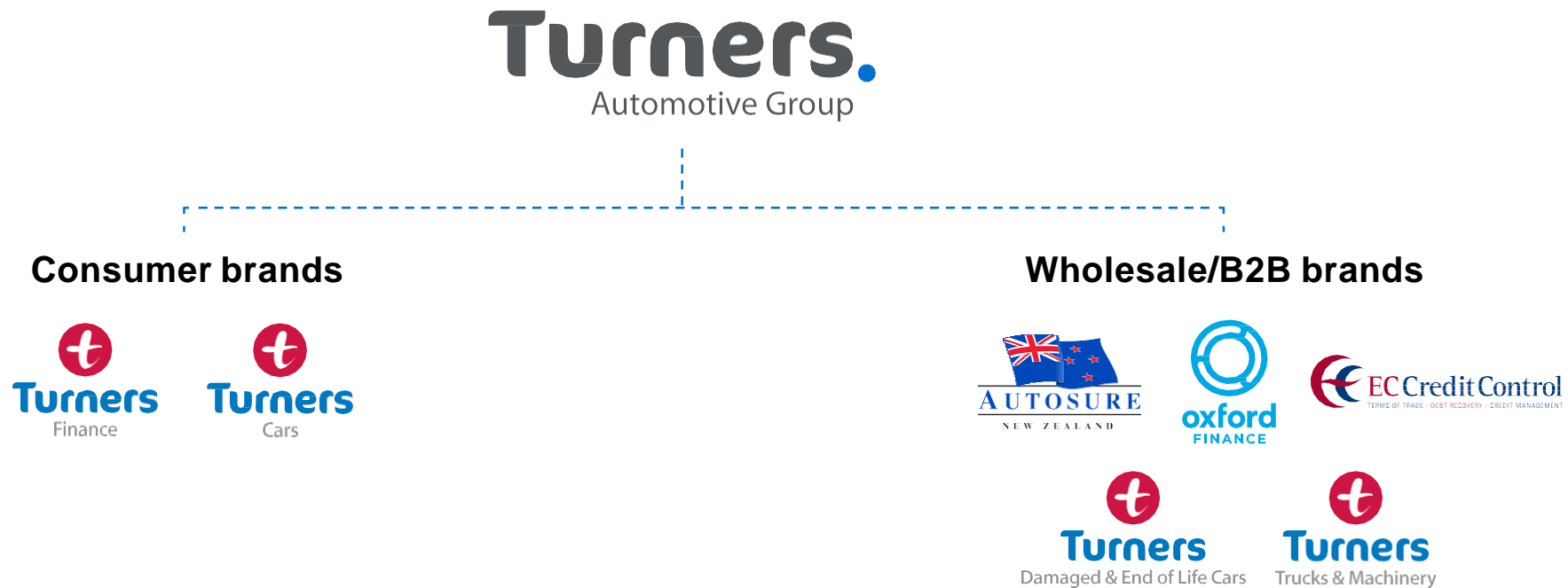
For our key stakeholders this means...

- Sharpen our focus on meeting customers needs
- Improving the efficiency of our business
- Reducing cyclical swings in our business, especially around credit
- Increasing the returns we deliver to our shareholders

**A capital efficient
growth strategy
for Turners
Group, with an
increased focus
on Turners' core
auto retail
business**

Focus on a single brand strategy

Leverage our strong brands, remove complexity and play to strength in auto retail.



Buy Right Cars brand change out completed in May



Strategic review of business units

We are undertaking a review of non-core businesses with lower synergies to the core auto business.

Short term review



- Capital intensive growth model
- Profits from captive business are deferred
- Reduces channel conflict

Medium term review



- High return capital business
- Non-auto therefore lower alignment with auto-centric strategy

Improve the customer experience

Expand our retail footprint

Continue to expand our footprint in high potential locations across the country.

Increase our brand reach with digital marketing

We will increase our marketing investments and shift existing marketing dollars to online channels (especially social) to improve efficiency and reach new customer groups.

Use data to source more effectively

Invest in extracting insights from our data assets to help identify the right cars to buy and the right price to sell them at to maximise yield.

Bulk buying

Leverage our scale and balance sheet to drive down sourcing costs by buying in bulk (i.e. 100 cars at a time).

Turners Auto Group Owned Properties

Whangarei (8,000m²)

North Shore Cars (8,500m²)

Mt Richmond Auckland (10,500m²)

Roscommon Road Auckland (10,000m²)

Porirua (17,000m²)

Palmerston North (1,850m²)

Christchurch (9,000m²)

Turners Cars

Turners Cars

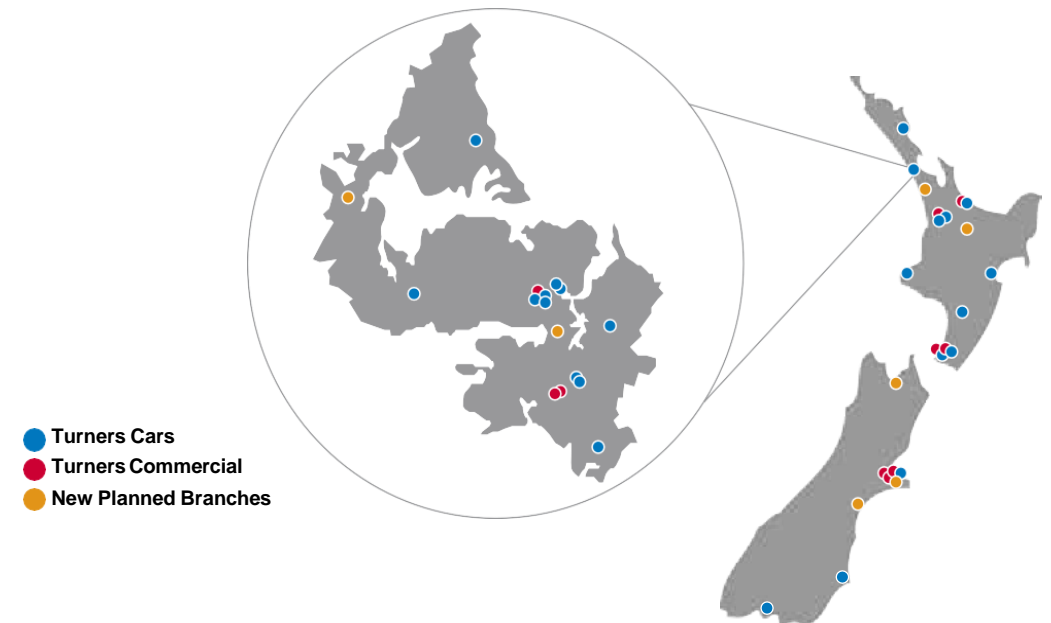
Turners Cars

Turners Trucks

Turners Cars

Turners Trucks

Turners Damaged



Growth in footprint from ~147,000m₂ to ~220,000m₂ in next 2 years through opening 9 new sites

Committed branches

| | | | |
|-------------------|---|-----------|----------------------|
| North Shore - AKL | Re-opening of Turners' Auto-Retail flagship store | July 2019 | 8,524m ₂ |
| Dunedin | Re-opening of Turners' Auto-Retail flagship store | Dec 2019 | 9,025m ₂ |
| Westgate - AKL | Part of wider Auckland expansion | June 2020 | 8,500m ₂ |
| Mt Richmond - AKL | Processing and Retailing | June 2020 | 10,300m ₂ |
| Christchurch East | Turners Auto-Retail expansion | 2020 | 10,000m ₂ |
| Pukekohe | Part of wider Auckland expansion | 2021 | 10,000m ₂ |
| Nelson | Part of the regional expansion strategy | 2021 | 8,000m ₂ |
| Rotorua | Part of the regional expansion strategy | 2021 | 8,000m ₂ |
| Timaru | Part of the regional expansion strategy | 2021 | 8,000m ₂ |

Branch Re-location – Whangarei (Owned site)



- Purchased old Placemakers site
- Increased footprint from 6,500m2 to 8000m2
- High profile corner site
- Higher % of retail sales at new site, more finance deals, higher margins on owned inventory
- 3 months to June 85% increase in operating profit Jun YTD



New Branch – New Plymouth



- **Leased site**
- **High profile corner site on busy arterial of 4,600m2**
- **180+ car site**
- **High yard to building ratio**



Relocation – North Shore (Owned site)



- Owned and developed site in car precinct of Wairau Valley
- High profile site on Archers Road 8,500m²
- 300+ car site
- High yard to building ratio
- Opens late July

New Branch – Hamilton



- High profile corner site across from The Base
- 5,000m²
- 200+ car site
- Opens in August
- Turners Cars branded site
- Utilises stacked containers for brand statement

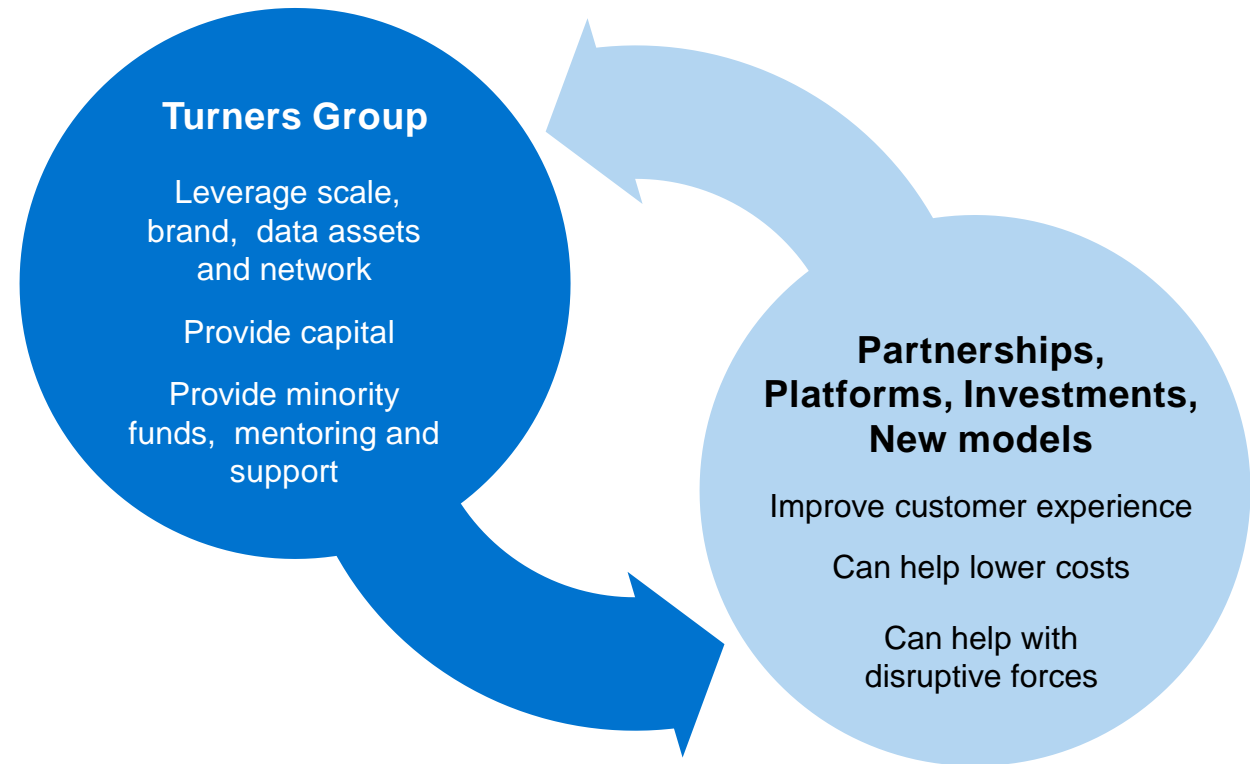


Adjacent opportunities

Turners has a strong balance sheet, large customer base and rich data assets which put it in a unique position to partner and invest to harness the changing market dynamic.

Criteria for Investment / Partnership

- Highly adjacent to auto markets
- Turners brand would make sense
- Strong interest in platform or aggregator type models
- Must significantly improve the way customer needs are met



Innovation - Investment in Collaborate (CL8.ASX)

Overseas



Now

12 OEMs and 26 non-OEMs offering vehicle subscription in Europe and USA

Forecast

10% of all new vehicles to be offered via vehicle subscription in 2025 - Frost and Sullivan 2019

- Invested AUD\$1 million for 12.13% stake in Collaborate Corp (CL8.ASX)
- Turners appoint a director to the Collaborate board.
- Want to understand alternative ownership models
- Collaborate's core business centres around the rapidly evolving car sharing market with [DriveMyCar](#), Australia's leading peer-to-peer car rental business, complemented by [Carly](#), Australia's first truly flexible car subscription offering.
- This is the first of a series of potential investments by Turners under the pillar of innovation and ventures

Summary

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Questions

The logo for Turners Automotive Group is centered within a white circle. The circle is positioned in the lower right area of the slide, overlapping a light blue curved background element. The text "Turners." is in a bold, dark blue font, with a small blue dot at the end of the period. Below it, "Automotive Group" is written in a smaller, dark blue font.

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