

### **Board of Directors**



**Grant Baker** Non-executive Chairman



**Paul Byrnes** Non-executive Dep Chairman Non-executive Director



**Matthew Harrison** 



**Alistair Petrie Non-executive Director** 



**John Roberts Independent Director** 



**Antony Vriens Independent Director** 



**Martin Berry Independent Director** 

# **Meeting Agenda**

#### **Presentations**

- Address from the Chair, Grant Baker
- Address from the CEO, Todd Hunter
- Address from Director, Martin Berry

### **Shareholder Discussion**

### **Resolutions are per Notice of Meeting**

- Auditors' Remuneration
- Re-election of Grant Baker and Alistair Petrie
- Approval of amended Constitution

### **General Business**

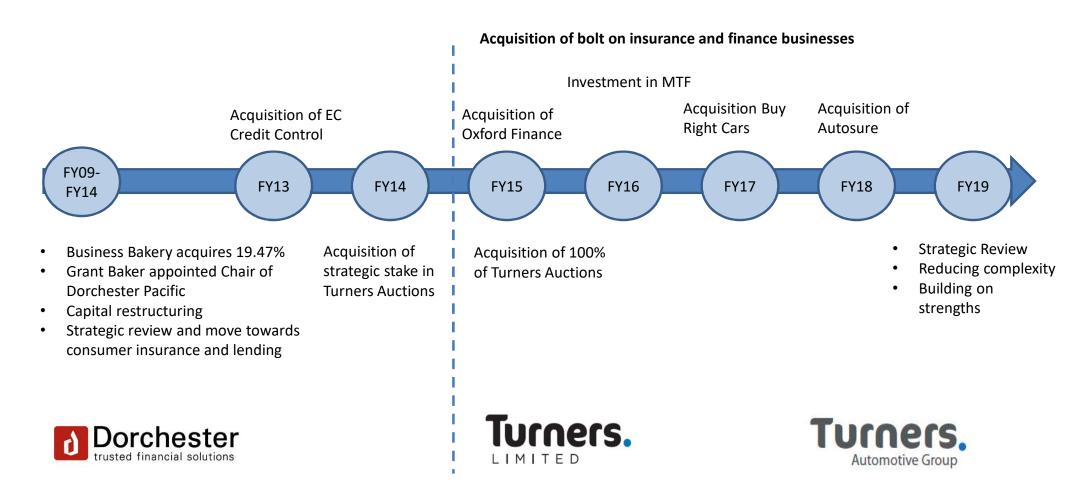
### **Close of Meeting**



# **Chairman's Presentation Grant Baker**



### **Ten Years of Transformation**



# Track record of building value through acquisition growth

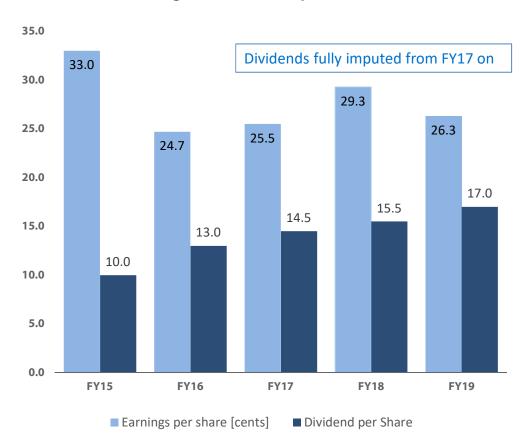
Company	Date	Acquisition Price (\$m)	NPBT at time of Acquisition (\$m)	NPBT for FY19 (\$m)	% Change
EC Credit Control	2012	17.8	3.6	6.3	+75%
Oxford & Southern Finance	2014	12	2.9	11.1	+283%
<b>Turners Auctions</b>	2014	76	6.8	19.2	+182%
<b>Buy Right Cars</b>	2016	12	3.4	-0.9	(126%)
Autosure Insurance	2016	34	4.6	8.2	+78%

# **A Transformed Business**

As at March YE	2009	2014	2019
Shareholder Equity (\$m)	16	74	226
Total Assets (\$m)	149	127	654
NPBT (\$m)	(18.3)	4.9	29.0
Dividend per Share (cps)	-	5.0	17.0
Market Capitalisation (\$m)	1.8	111	197

# **Strong Dividend Yield**

### **Earnings and Dividend per Share (Cents)**



- Dividend Policy Change: Increase in pay out ratio to 60% to 70% of NPAT
- Turners pays quarterly dividends
- Gross dividend yield of 9.9% at indicative price of \$2.40 (as at 17/09/19)
- 4.0m shares purchased during Share Buy Back programme reducing issued shares by 4.5%.

# **Turners Today**

#1

NZ's largest buyer and seller of vehicles

9%+

Gross dividend yield within the top 10 yielding stocks on NZX

33

Locations in NZ from Whangarei to Invercargill

6 mins

Turners sell 1 car every 6 minutes, which equates to over 100 cars per day

**O**Turners







40

We write over 40 consumer and commercial loans per day in Oxford Finance

**200** 

We sell over 200 insurance policies per day

900

We employ over 900 kiwis across the business

\$6m debt

Collecting over \$6m per month of hard to collect debt.

## **Board Report For FY19**

- Continued progress on simplifying the business is delivering benefits
- FY19 underlying performance flat on prior year as market headwinds in used import vehicle sector and impairments on MTF non-recourse lending adversely affected result
- Excluding impairments, generated a record NPBT result of \$33.6m
- Addition of Martin Berry to the Board in 2019
- Independent external Board review, highlighting strength of the Board and identifying areas for further improvement
- Prudent management of shareholders' funds new \$25m, 3 year Bond
   Programme to support funding for growth
- Commenced in-depth strategic review and identification of future strategy.
- Investment in Collaborate Corp (post year end transaction)

"This Board has had to deal with fundamental and challenging issues in recent times and has come out of that period stronger and in better shape. That progress also creates the opportunity to challenge current processes and adapt for the challenges ahead from a stronger footing."

**Jim Quinn** 

(Governance and Advisory Services)

## **Market Dynamics and Trends**

- CUSTOMER-CENTRIC: Focus on customer needs is essential
- DATA AND TECHNOLOGY: Big data and technology are changing how and where we do business.
- REGULATION AND COMPLIANCE across all our businesses is increasing.
- ONLINE EXPERIENCE: More of the customer experience is transitioning online particularly for finance and insurance
- AGGREGATOR AND COMPARISON SITES are proliferating
- INDUSTRY CONSOLIDATION is inevitable and we are in the midst of this right now.
- DISRUPTION FROM ALTERNATIVE OWNERSHIP MODELS which could see people moving away from owning one, two or more cars per household, to flexible ownership and subscription models.

# **Our Future Opportunity**

- Our strength is in retail and we are the largest and most trusted brand in the industry
- Large retail market with sizeable forward demand due to NZ's ageing fleet
- Simplification of our business will enable greater efficiencies, de-risk our business and offer a higher return on invested funds
- We are well positioned to benefit from changing market dynamics, including customer demand for digitisation



### **Our Strategy**

We are moving forward with a capital efficient growth strategy, with an increased focus on Turners' core auto retail business.

#### **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
- 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

# **CEO's Presentation Todd Hunter**

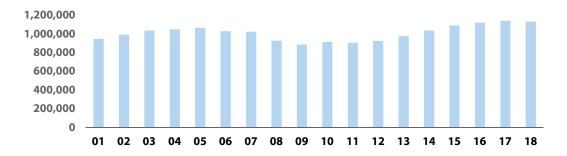


# **The Kiwi Car Economy**

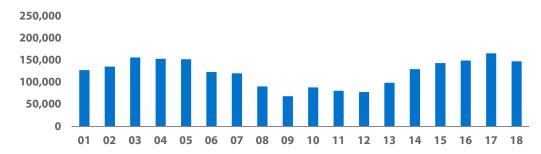
3.85m	Light vehicles in the New Zealand vehicle fleet	
953,000	Cars in the light vehicle fleet that are 20 years or older	
1.12m	Used cars were traded in FY19 (down 1% YoY)	
<b>18.5</b> years	Average age light vehicles were scrapped in FY19 (19.5 years for imports, 17.5 years for NZ-new)	
16,000	EVs registered in New Zealand to August 2019	

# **NZ Used Car Market Still At Strong Historic Levels**

### Annual changes in used vehicle ownerships



### Annual registrations of used, ex-overseas vehicles



Source: NZTA - Used Car Change of Ownership Stats

- After a period of growth used car sales have plateaued.
- Underlying demand still strong with more cars exiting the fleet (cost of repairs increasing, stricter WoF regime)
- Mar 2020, all vehicles imported into the country required to have ESC, impact in sub \$8k budget segment.
- Margins have recovered from low point Oct/Nov 2018.
- Less than 10% of Turners volume comes from used imports

### **FY19 Year At A Glance**

EXPANSION OF NATIONAL RETAIL NETWORK

INCREASED REFERRER
NETWORK

IMPROVED INSURANCE LOSS RATIOS

MANAGED HEADWINDS IN IMPORT MARKET

INTEGRATION OF TURNERS
FINANCE INTO OXFORD
FINANCE

NEW BOND ISSUE TO SUPPORT GROWTH FUNDING

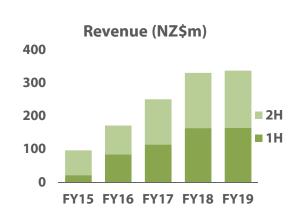
REBRANDING OF BUY RIGHT CARS

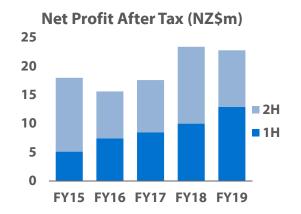
HIGHER QUALITY LENDING

COMMENCED GROUP STRATEGY REVIEW

# **FY19 Results Snapshot**

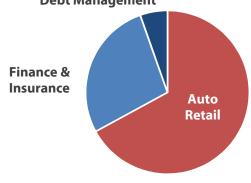
REVENUE \$336.6m +2%	ADJUSTED NPBT (excluding BRC brand write down) Record \$33.6m		
NET PROFIT BEFORE TAX	SHAREHOLDERS' EQUITY		
\$29.0m -7%	<b>\$226.4m</b> as at 31 Mar 19		
NET PROFIT AFTER TAX \$22.7m -3%	FINAL DIVIDEND 5.0 cps FY19 Dividends 17.0cps		
NPATA \$24.3m -3%	EARNINGS PER SHARE 26.2cps -10%		



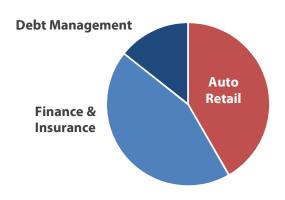


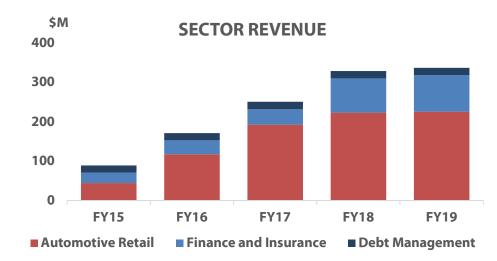
### **FY19 Sector Results**

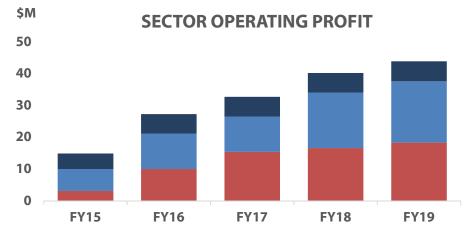
# FY19 REVENUE Debt Management



**FY19 OP PROFIT** 







# **Board and Management Collaboration**

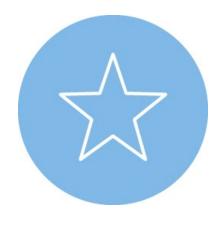
- EC Credit Control rebrand
- Oxford Finance rebrand
- Assistance and advice in area of comprehensive credit reporting
- Key customer visits and meetings in NZ and Australia leveraging networks
- Regular Advisory board contributions for Buy Right Cars and EC Credit Control
- Regular meetings outside of board meetings with Appointed Insurance Actuary
- Substantial time commitment through strategy review process

- Sub-committee attendance for Bond Program
- Full board review of Oxford strategic review documents
- Significant contribution in area of digital marketing and strategy
- Specific contribution in Innovation investment for Collaborate Corp
- Property due diligence
- RBNZ meetings regarding insurance appointed actuary regime

# **Strategy Update**



# **Primary Drivers Behind Our Strategy**



STRENGTH OF TURNERS BRAND



COMPLEXITY OF EXISTING BUSINESS



GROWTH OF NZ'S AGEING VEHICLE FLEET



**DEMAND FOR DIGITISATION** 

# **Strategic Pathways**

### **Simplify the Business**

### **De-Risk the Business**

### **Grow the Business**



- Single brand strategy for Auto Retail
- Single brand and system strategy in finance and insurance
- Run down non-core life insurance products
- Strategic review for business units where we don't hold dominant market position

- Continue strategy of writing higher quality loans
- Early adoption of comprehensive credit reporting
- Focus on loan origination rather than underwriting credit risk
- Active engagement with regulators

- Expand auto retail footprint
- Shift marketing investment into digital platforms
- Leverage data analytics to buy and sell smarter
- Evolve the customer experience in person and online
- Look for innovation and disruptive opportunities

# **Simplify: Consolidating To One Brand In Auto Retail**



# **Simplify: Strategic Review Of Business Units**

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
- Jardens are mid-divestment process and expecting NBIOs from potential buyers by end of September.

#### **MEDIUM TERM REVIEW**

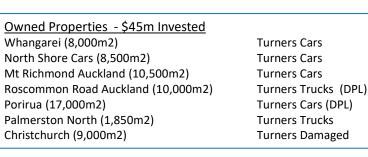


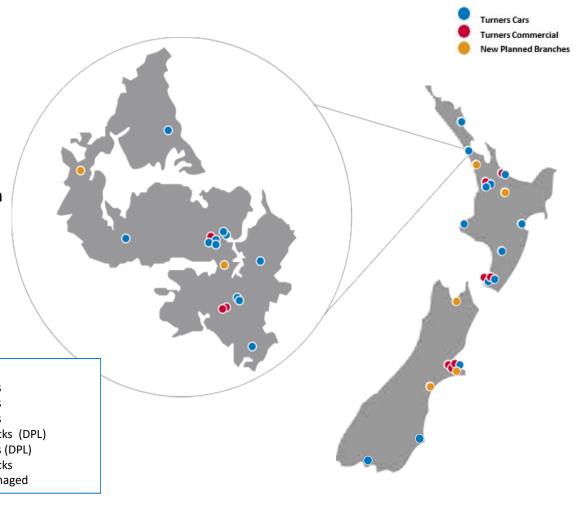
- High return capital business
- Non-auto therefore lower alignment with auto-centric strategy
- Strategic review likely in next 12-24 months

### **Grow: Improve The Customer Experience**

#### **EXPAND RETAIL FOOTPRINT**

- Continue to expand our footprint in high potential locations across the country.
- A proportion of reserves from Turners' Insurance business has been allocated to support the retail expansion and assist in better utilisation of capital in the business.
- We are starting to see positive gains from the ongoing optimisation of our retail network, both relocating existing branches and opening new locations.





# Growth In Footprint From ~147,000m2 To ~220,000m2 In Next Two Years Through Opening Nine New Sites

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

# **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
- First presence in New Plymouth
- Captured 15% of the local market inside 6 months
- Strengthened our conviction around organic growth and demonstrates the value of the Turners brand.





# **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
- Opened late July



# Digital, Data And Disruption

**Martin Berry** 



### **Context: The Past, Present and Future of Automotive Sales**











#### **HISTORICALLY**

Physical store
"Consumers will
come to us"

### **THE PAST**

E-research
"Online browse"

#### **RECENT PAST**

Multichannel
"Many consumers shop
across channels"

### **THE PRESENT**

Omnichannel
Relevant products and
services anywhere"

#### THE FUTURE

Ecosystem
"A market tailored ecosystem of products and services"

### **Digital The Key To The Customer Purchase Journey**

### **Customer Used Car Purchase Journey**



\*Facebook (2018), Google (2018)

95%

Of vehicle buyers use digital as a source of information\*

70%

Of people use YouTube as part of their car buying process\* 66%

Are undecided and open to which model they will buy\*

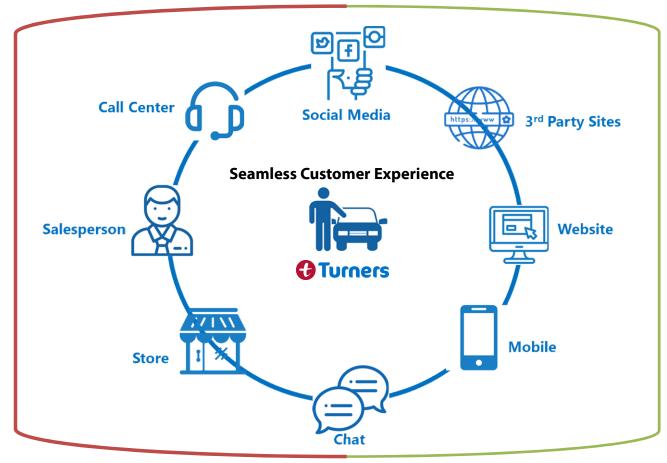
**78%** 

Find Social Media useful when deciding on their car purchase\* 44%

Have shared vehicle related content with their network on social media\*

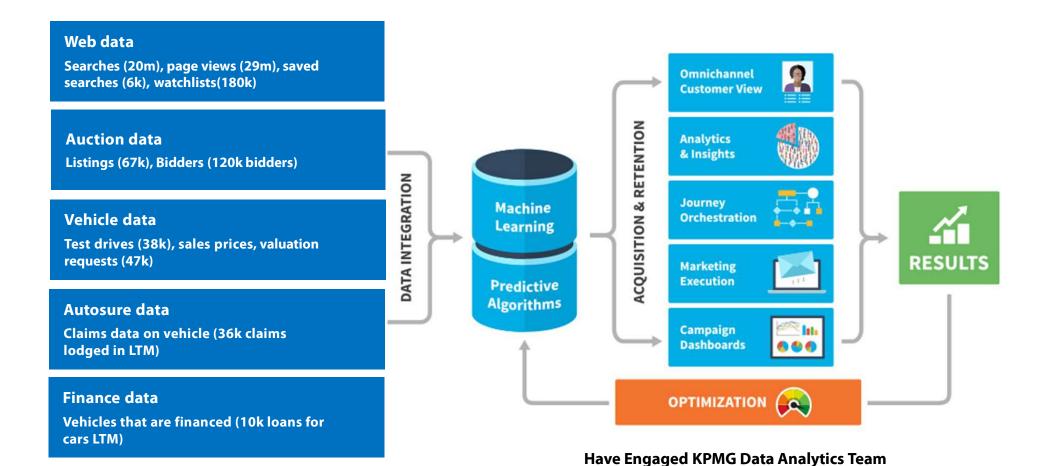
# **Building An Omnichannel Experience Fuelled By Digital**

- Reviewing CRM capability to support seamless customer experience on and offline
- Reviewing sales training and incentives to support an omnichannel strategy
- Continuing to expand our retail footprint
- Exploring alternative retail formats, i.e. pop-up stores.



- Hired a leading digital agency, firing up Turners social channels
- Shifting majority of offline marketing spend into online
- Reviewing Turners online/mobile assets
- Exploring content creation and influencer marketing campaigns
- Building attribution and tracking models

## **And Powered by Insight Through Big Data & Analytics**



## **Illustrative Example Of Key Insights Generated**

**ANALYTICS** 

**INSIGHT** 

**RESULT** 



**DATA** 



















#### Mazda 3 / Axela

- 2015 MY
- 20,000 km's
- White color
- 2.0 litre engine
- Retail: \$15,000
- Days on book





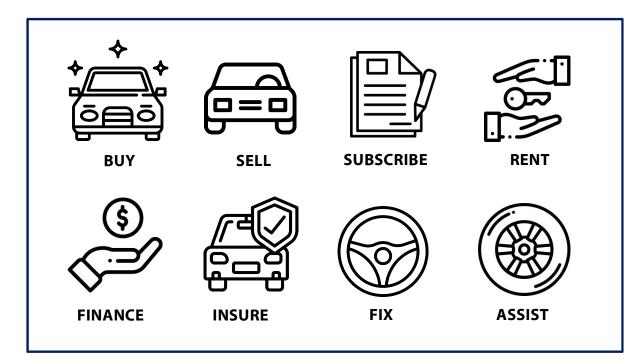
### **Key Benefits:**

- **Better margins**
- **Faster Inventory turn**
- **Happy customers**

Forecast can sell 50 units in next 90 days

## Disrupt: Strengthening The Turner's Ecosystem Via Innovation

### **TURNER'S ECOSYSTEM**



PARTNERSHIPS, PLATFORMS, INVESTMENTS, NEW MODELS

### **Criteria for Investment/Partnership**

- Must fit within our automotive ecosystem
- Turners brand is logical and can be leveraged
- Strong interest in 'capital lite' platform/ aggregator type models
- Must significantly improve the way customer needs are met
- Must help to reduce operating costs
- Helps mitigate potential threats and provide optionality on innovative and disruptive opportunities

## **Example: Recent Investment In Collaborate (Cl8.ASX)**

### **OWNERSHIP MODELS**











### **Subscription Based Services Are Growing:**

- AirBnB, Netflix, etc have help to disrupt traditional ownership models with subscription-based services now accounting for 10% of monthly household expenditure
- It is estimated that by 2025, 10% of all car sales will be via a subscription-based service





### 1+1=3

- Core expertise and focus on subscription services enabling us to offer an innovative and differentiated proposition into the NZ market
- Strong brand, large customer-base, data and capital that can help scale Carly.

# **Outlook and Focus**



## **FY20 Focus**



**Auto retail** 

- Expand footprint
- Invest in digital and social marketing channels
- Leverage data analytics



**Insurance** 

- Focus on autoretail insurance
- Look for partnership opportunities to increase distribution
- Run down noncore life insurance products



**Finance** 

- Short term strategic review
- Continue to focus on risk pricing
- API development to broaden distribution



Credit

- Medium term strategic review
- System integration to improve debt load process



Adjacent opportunities

- Launch vehicle subscription in NZ
- Investigate, assess and invest in other opportunities

## **FY20 Outlook**

- Main focus on organic growth
- Expecting industry to consolidate further over 2019/2020
- Impact of ESC change will impact smaller dealers and very low priced vehicles
- Confidence in strategy and long terms prospects for the business
- Oxford sale process tracking to plan

All business divisions tracking ahead of budget and ahead of FY19 at end of Q1

# **Shareholder Discussion**



## Resolutions

### **ORDINARY RESOLUTIONS:**

- RESOLUTION 1: That Staples Rodway be reappointed as auditors of the Company and that the Directors be authorised to fix the auditors' remuneration.
- RESOLUTION 2: That Grant Baker, who retires by rotation and has offered himself for reelection, be re-elected as a Director of the Company.
- RESOLUTION 3: That Alistair Petrie, who retires by rotation and has offered himself for reelection, be re-elected as a Director of the Company.

#### **SPECIAL RESOLUTION:**

 RESOLUTION 4: To amend the Company's constitution in the form and manner described in the explanatory notes, with effect from the close of the Annual Meeting.

# **Voting**

Resolution: Proxies	FOR	AGAINST	PROXY DISCRETION
Auditor's remuneration	20,721,340	25,500	1,610,256
Re-election of Grant Baker	20,356,427	395,281	1,619,520
Re-election of Alistair Petrie	20,117,268	335,128	1,918,877
Amendment of Constitution	20,328,208	88,297	1,944,302

Total proxies received in respect of 22,371,228 shares representing 26.2% of total shares on issue.

Voting on each resolution will be by way of poll.

# **Other Business Close Of Meeting**

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## Disclaimer

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This document or any other written or oral statements made by, or on behalf of, the company may include forward-looking statements that reflect the company's current views with respect to future events and financial performance. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to:

- Uncertainties relating to government and regulatory policies;
- The occurrence of catastrophic events with a frequency or severity exceeding our estimates;
- The legal environment;
- Loss of services of any of the company's officers;
- · General economic conditions; and
- The competitive environment in which the company, its subsidiaries and its customers operate; and other risks inherent in the company's industry

The words "believe," "anticipate," "investment," "plan," "estimate," "expect," "intend," "will likely result," or "will continue" and other similar expressions identify forward-looking statements. Recipients of this document are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.