

2023 Annual Meeting Presentation

23rd August 2023

Turners.
Automotive Group



Board of Directors



Grant Baker
Non-executive Chairman



Matthew Harrison
Non-executive Director



Lauren Quaintance
Independent Director



Alistair Petrie
Non-executive Director



John Roberts
Independent Director



Martin Berry
Independent Director



Antony Vriens
Independent Director

Meeting Agenda

1. Presentations

- Address from the Chair, Grant Baker
- Address from the CEO, Todd Hunter
- Address from Directors up for re-election

2. Shareholder Discussion

3. Resolutions are per Notice of Meeting

- Auditors' Remuneration
- Re-election of John Roberts, Matt Harrison and Lauren Quaintance
- That the pool for Directors' fees be increased by \$255,000 from \$665,000 to \$920,000 per financial year, with effect for the financial year commencing 1 April 2023
- To alter the Constitution of the Company by deleting clause 4 of Schedule 2 and substituting the following: A proxy form must be sent or made available with each notice of meeting.

4. General Business

Chairman's Address

Grant Baker

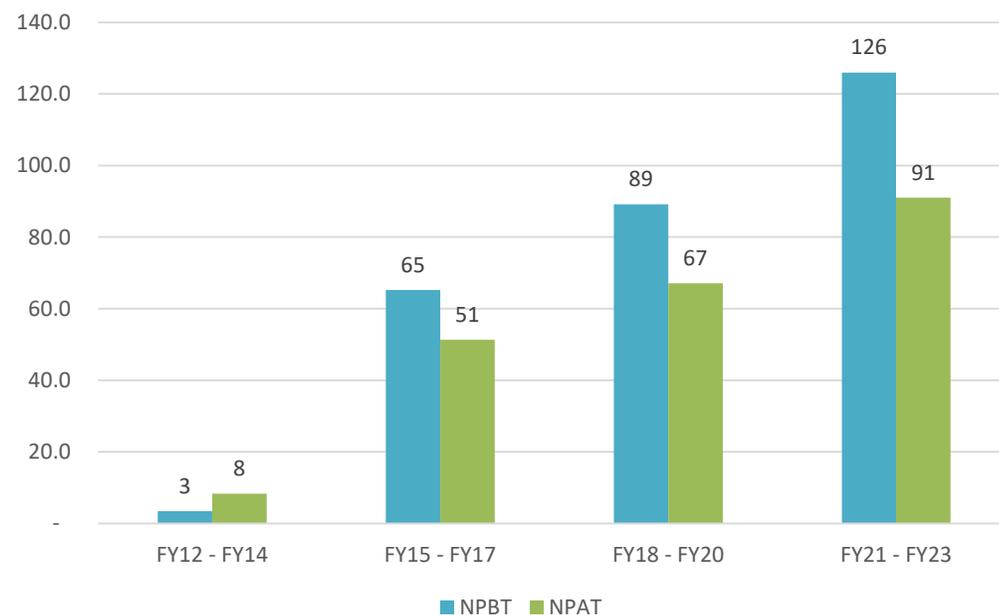


**We are getting
even stronger**

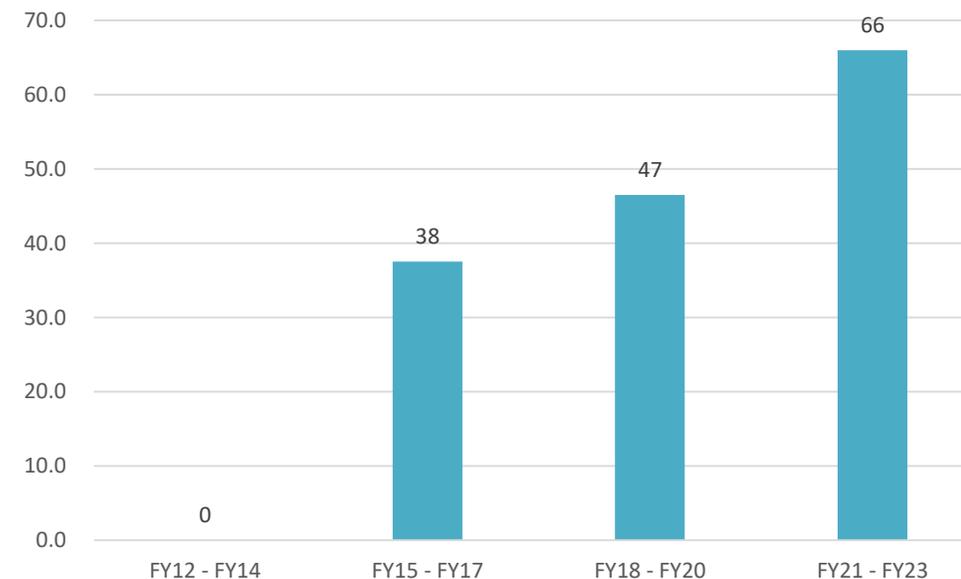


Turners has built a strong and sustainable business with a proven track record...

Total NPBT/NPAT over 3 year period (\$M)



Aggregate dividends paid over 3 year period (cps)



** Dividends fully imputed from FY17 onwards*

A record result in FY23 of ...and positioned for future growth.

1. Record result despite macro headwinds
2. Auto Retail Division grows profits 28%, Insurance 9% helping to offset material impact from increasing interest rates in Finance Division.
3. Full year dividend at 23.0 cps.
4. Our plan for growth has been proven up and our business de-risked over the last three years:
 1. Auto Retail growth from focus on domestic sourcing and retail optimisation
 2. Auto Retail branch expansion pipeline building
 3. Finance quality metrics continue to improve
 4. Insurance distribution improving
 5. EC Credit debt load increasing as wider environment deteriorates
5. NZ and global economic challenges will persist over the next 12-24 months. Still see opportunities in the markets we operate in, and are well positioned to take advantage of these.

EBIT*	\$52.2M (+9%)
Net Profit Before Tax	\$45.5M (+6%)
Auto Retail Profit	+28%
Insurance Profit	+9%

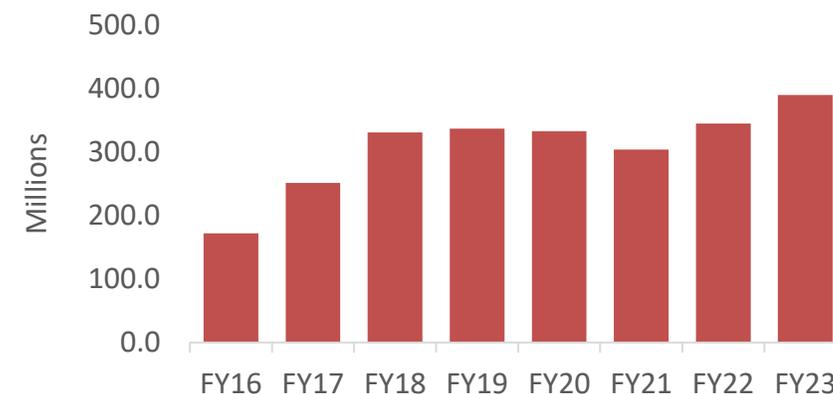
* EBIT adjusted for interest expense in Finance (non-IFRS measure)

FY23 Results snapshot

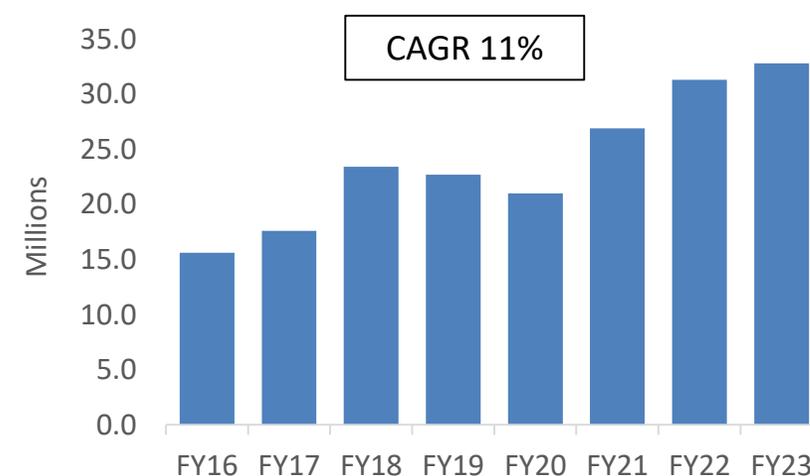
Revenue \$389.6M +13%	Shareholders' Equity \$272M as at 31 March 23
Net Profit Before Tax \$45.5M +6%	Final Dividend 7.0 cps FY Div 23.0 cps 0%
EBIT* \$52.2M +9%	FY23 Earnings Per Share 37.6cps (FY22 36.4cps, +3%)
Net Profit After Tax \$32.6M +4%	

* EBIT adjusted for interest expense in Finance (non-IFRS measure)

Revenue



Net profit after tax

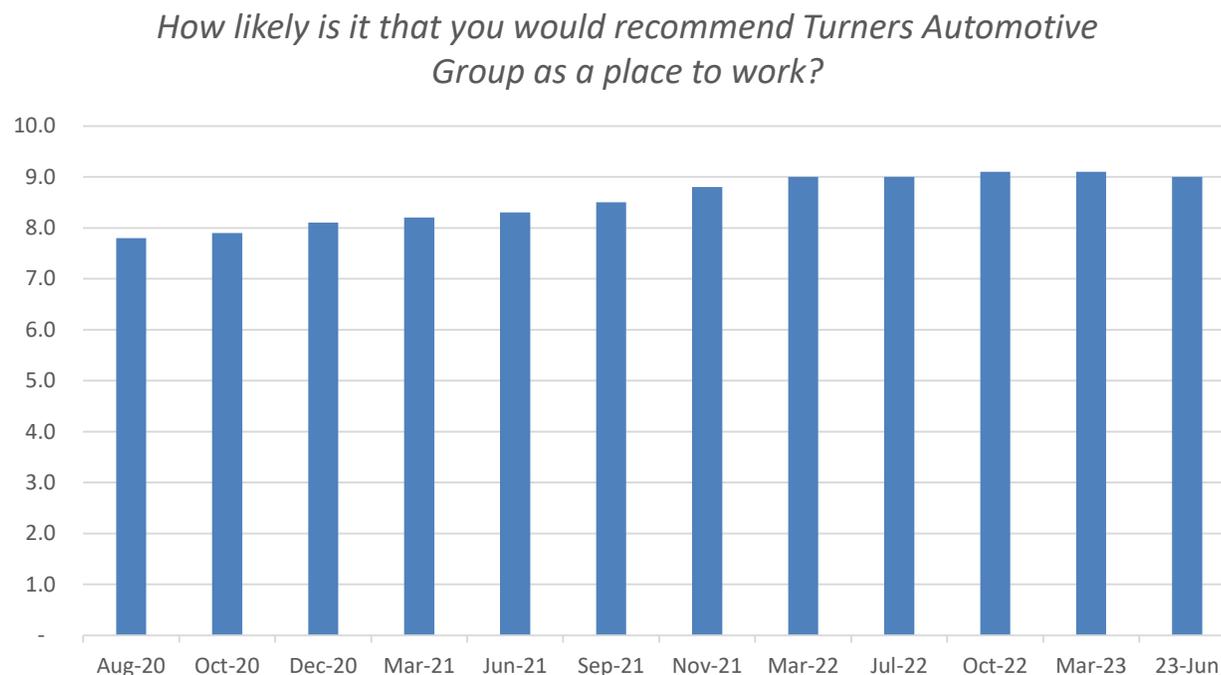


We operate to a simple formula

**Quality
environment
for our people** + **Quality
customer
experiences** = **Quality
outcomes for our
shareholders**

High team engagement + ownership mindset is powerful combination.

Peakon Employee Engagement Scores



- Turners rank in the top 5% of consumer businesses globally using the Peakon survey tool
- We continue to invest in training, remuneration, and other benefits eg. in FY23 we launched an Employee Share Scheme with 43% take up.

Across nearly 700 employees we are averaging 9/10 to the question “How likely is it that you would recommend Turners Auto Group as a place to work?”

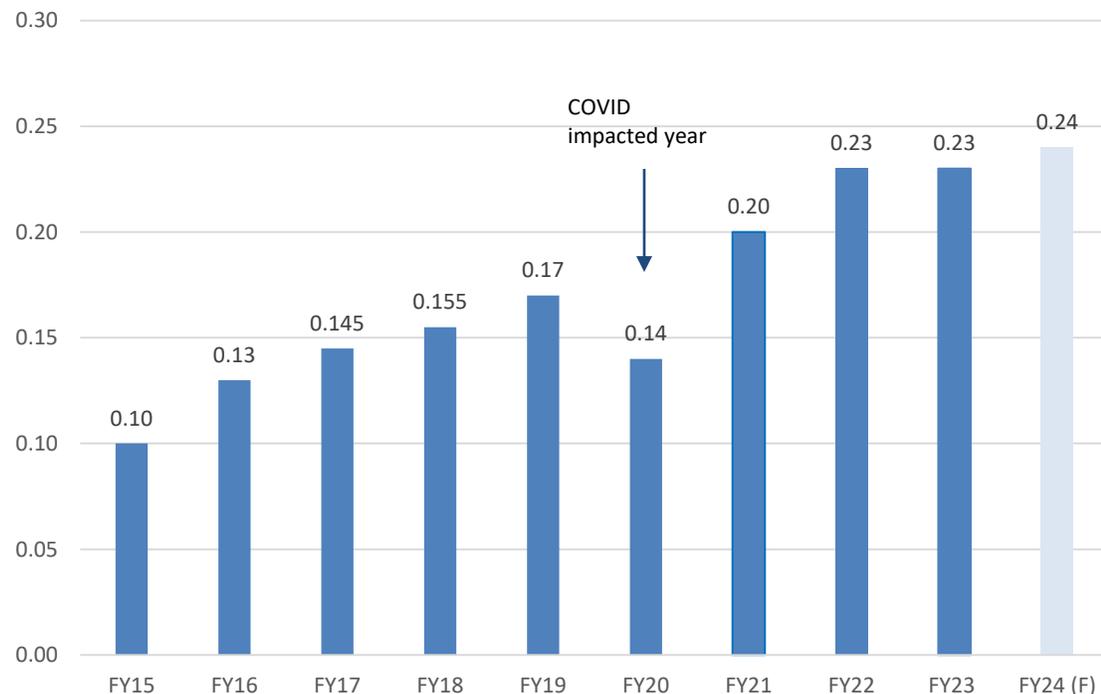
**We're building
our “ownership” of
the used car category.**

**Most trusted winner
for 4th year in a row.**



Turners has been growing dividends for almost a decade

Dividend per Share (\$)



Note - Dividends fully imputed from FY17 onwards

- Proven track record of delivering strong, sustainable and growing dividends in the business.
- Full FY23 dividends to 23.0 cents per share, with forecast for FY24 of 24.0 cents per share.
- Dividend payout ratio is 60-70% of NPAT.
- Based on the projected 24.0 cents per share dividend and a share price of \$3.75 this is a gross yield of **[8.5%]** pa.
- Dividend reinvestment plan (DRP) will continue.
- ***Quarterly dividend payments***

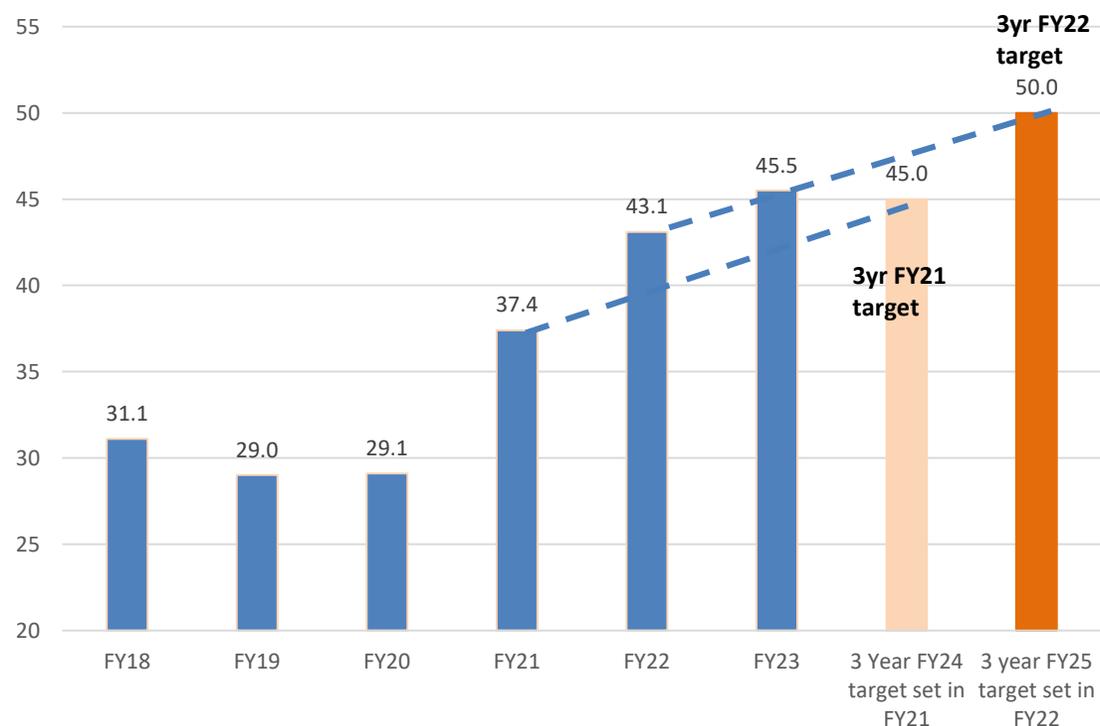
We have acted to mitigate our challenges...

Challenge	Mitigation	FY23 rating for TRA	FY24 rating for TRA
Rapid increases in interest and Inflation rates	<ul style="list-style-type: none"> Diversifying funding sources Increase volume of direct lending Increase hedging 	High	Medium
Recession	<ul style="list-style-type: none"> Acquiring more lower value cars <\$15k Tightening of credit policy 	High	Medium
Supply Chain	<ul style="list-style-type: none"> Focus on local vehicle sourcing Investing more resource in parts procurement in Insurance Increase number of mobile claims assessors 	Medium	Low
Recruitment and retention of people	<ul style="list-style-type: none"> Employee share scheme launched Parental leave benefit strengthened Investment in training and development 	High	Low
Regulatory	<ul style="list-style-type: none"> Continued focus on improving customer experience Continue to engage constructively with regulators directly 	Medium	Low

We remain focused on our target of \$50M PBT by FY25

The OCR track could have a timing impact on achieving our FY25 goal

Net Profit Before Tax (\$M) ¹



Target \$45M by FY24 (target set in FY21)

- Achieved 12 months ahead of time.

Target \$50M by FY25 (target set in FY22)

- **Scenario 1** – OCR peak of 5.50% by June 2023 and interest rates start down cycle in H2 CY23 then **on track to achieve \$50M target by FY25.**
- **Scenario 2** – OCR peaks higher than 5.50% and increasing cycle continues into 2023/24 then **more likely to achieve \$50M target by FY26.**

What's next...

- Business has never been stronger, building genuine ownership of the used car category in NZ.
- On track to achieve our 10% market share goal in Auto Retail in the near term...
- Still so much opportunity in the used car space, 20% of registered cars in NZ 20+ years old.
- A strong Auto Retail business has a great halo effect for finance and insurance.
- We have huge strength in the Turners brand, systems, technology and people...we need to push ourselves to see what else we can do with this brand.
- Membership into the “NZX50 club” is close, as is our \$50M profit target.

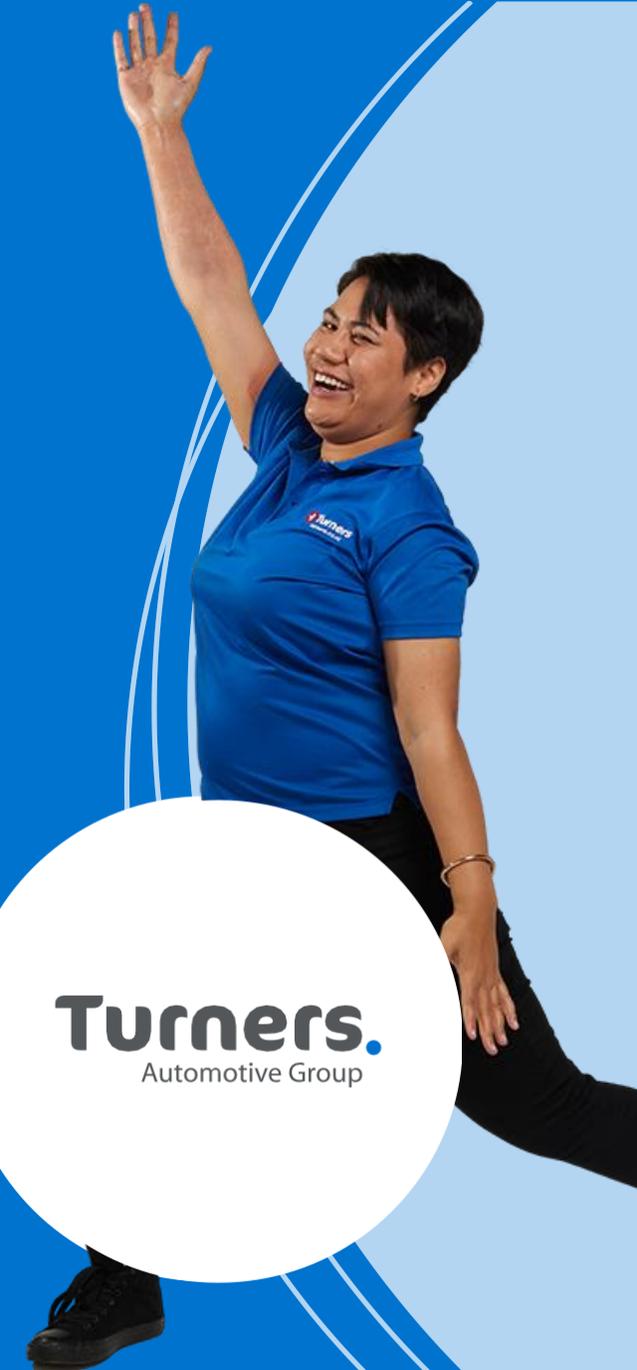
Some insights into what it is like to work at Turners

[play video]

CEO's Update Todd Hunter



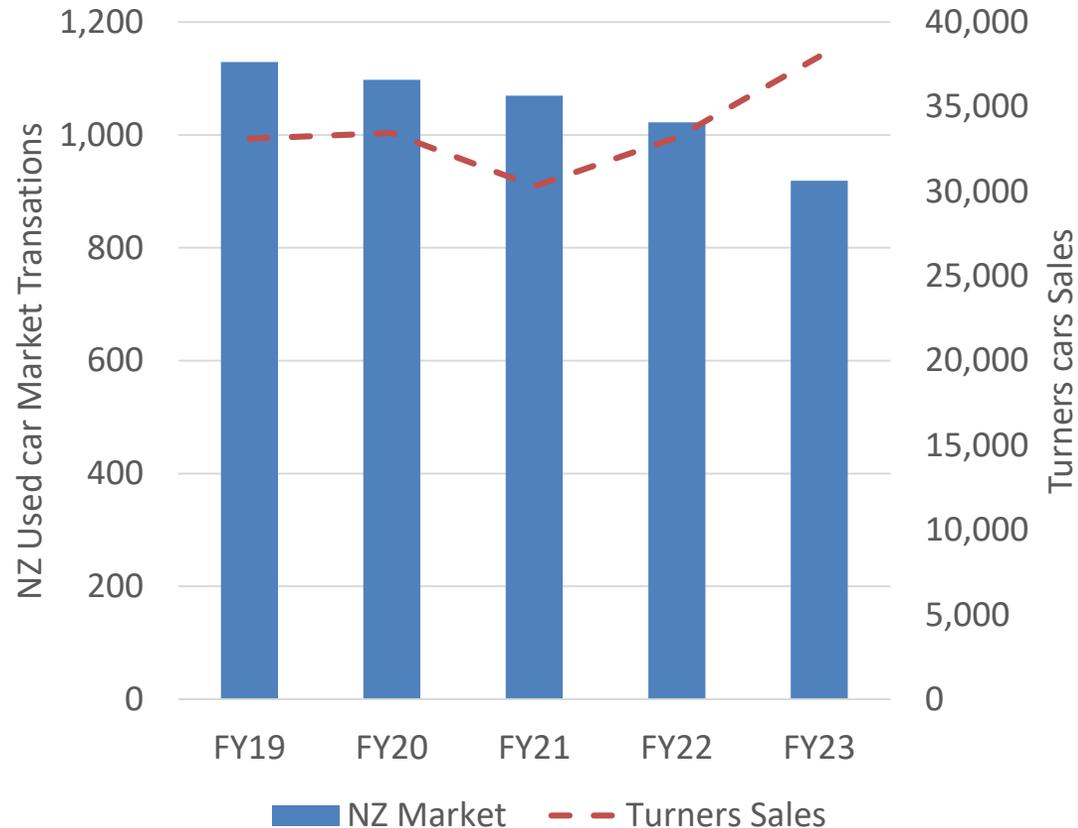
What is happening in the markets we operate in?



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Regulatory changes driving drop in used car market sales... **Turners.** Automotive Group

NZ Used Car Change of Ownerships (000s)

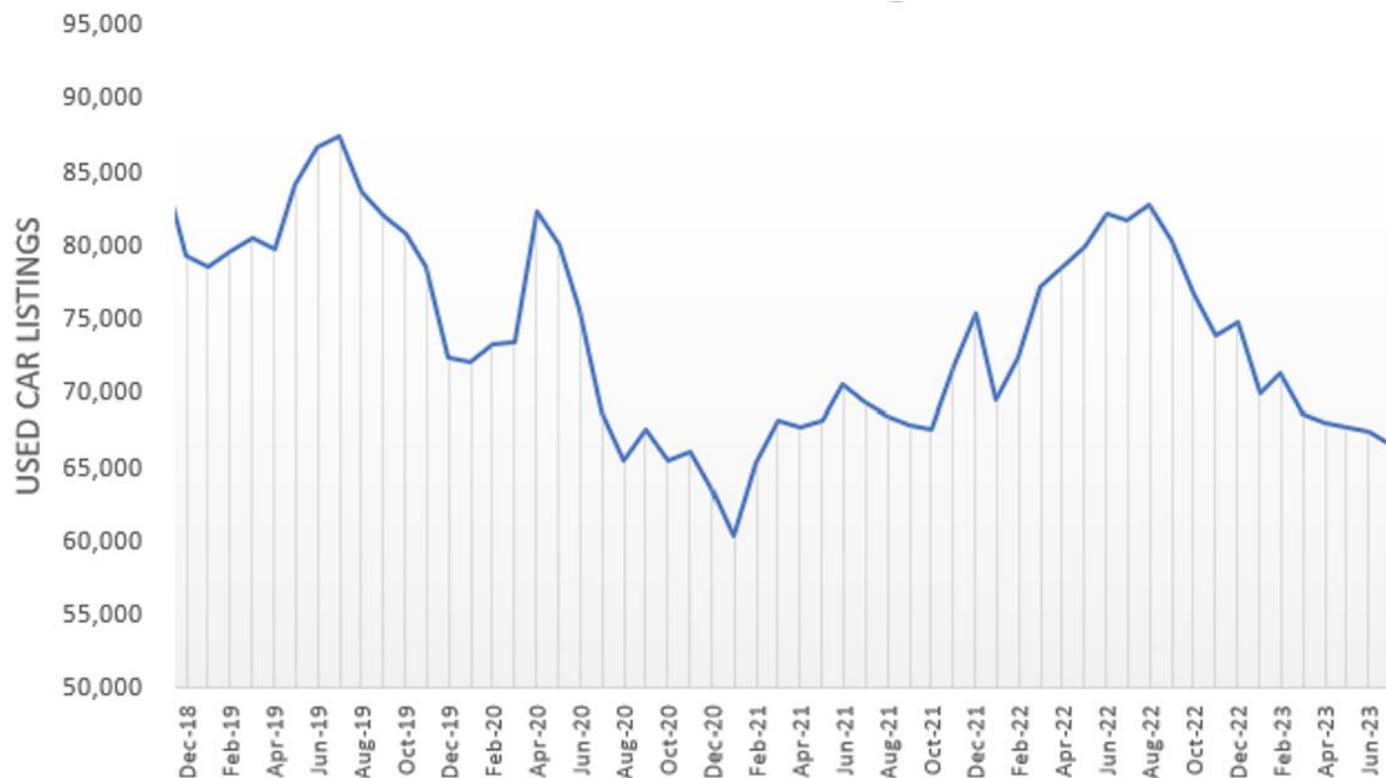


- Government regulation continuing to constrain the supply of used vehicles in NZ.
- Demand for higher value cars is moderating and shifting into the lower price point segments.
- Turners car unit sales up 14% FY23 v FY22, and tracking ahead of prior year for FY24 YTD

Source NZTA

Cars advertised for sale on TradeMe still falling...

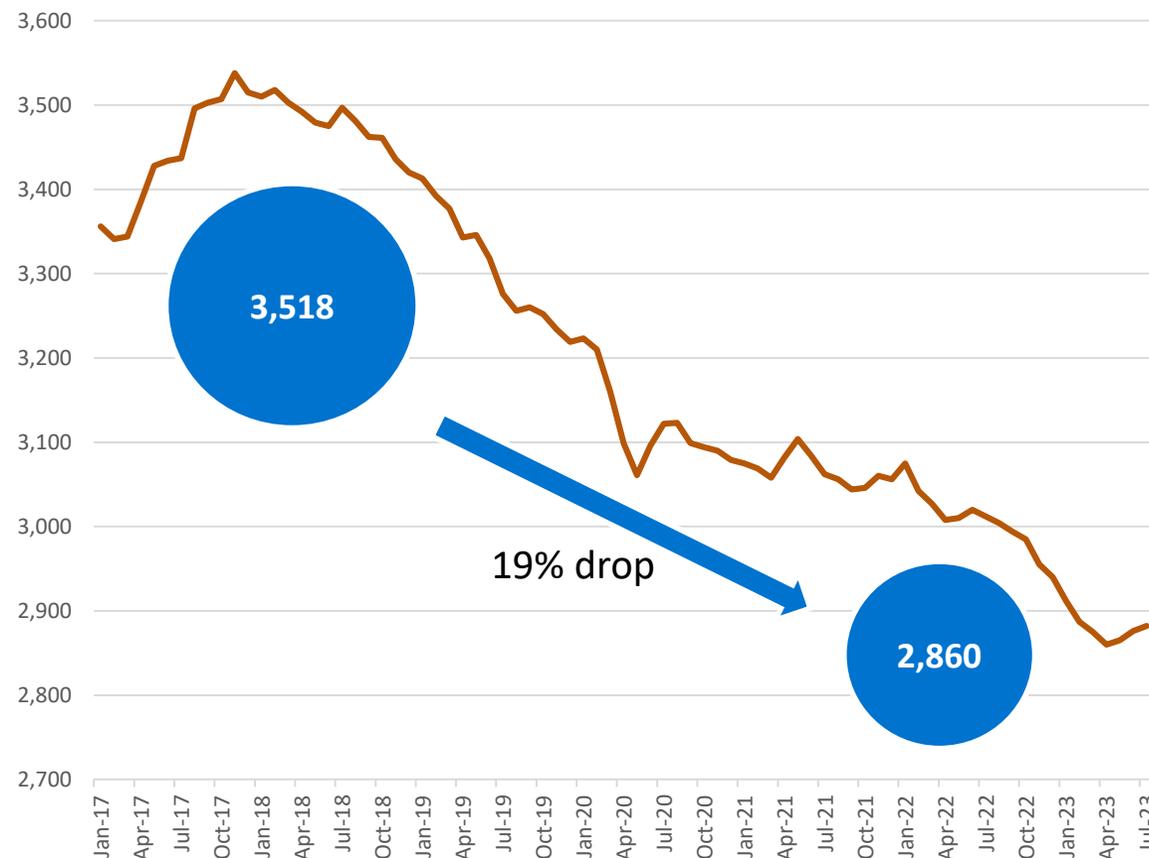
Used Car Listings Advertised on TradeMe by month



- Low numbers of cars advertised for sale due to difficulty in sourcing.
- Costs of TradeMe increasing and dealers listing fewer cars on TradeMe and using alternatives like Facebook market place.
- Two paced market...demand for cars <\$15k holding, >\$15k falling
- Sourcing critical competitive advantage for Turners in used car market

Registered dealer numbers continue to decline...

Registered Dealer Numbers NZ (source MBIE)



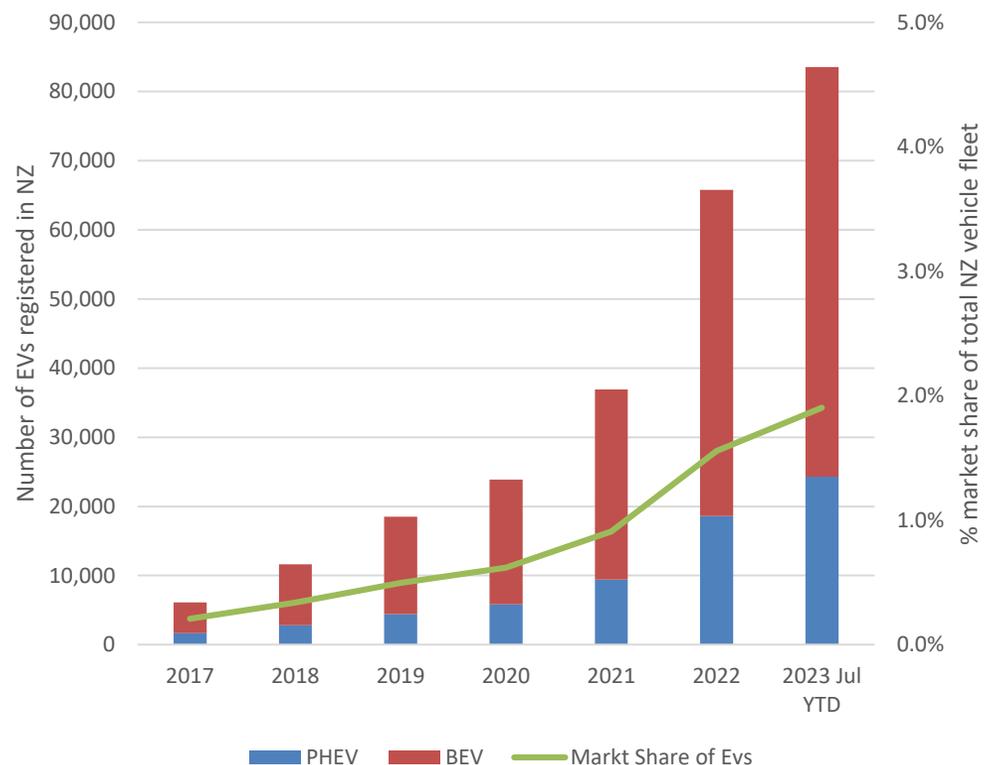
Source: MBIE

- Registered dealer numbers at lowest point since Feb-2014.
- We expect to track down further due to challenges in supply and impact of government regulation.
- Scale, digital capability and vehicle sourcing capability are critical to growing in this environment.

EVs account for round 2% of the total vehicle fleet in NZ

At the end of July ~86k EVs were registered in NZ out of a total light vehicle fleet of ~4.4M cars

Total number of BEVs and PHEVs in NZ Vehicle Fleet



Turners Subscription EVs

The screenshot shows the Turners Subscription website interface. The top navigation bar includes 'Find a car', 'FAQ', 'Contact', 'Sign Up', and 'Login'. Below the navigation are filter buttons for 'Availability', 'Price', 'Make', 'Engine', 'Body type', 'Year', 'Distance', and 'Number of seats'. The location is set to 'Auckland Cbd Auckland'. The main content area is titled 'Choose from 28 cars' and features a 'Sort by relevance' dropdown. Four car listings are displayed:

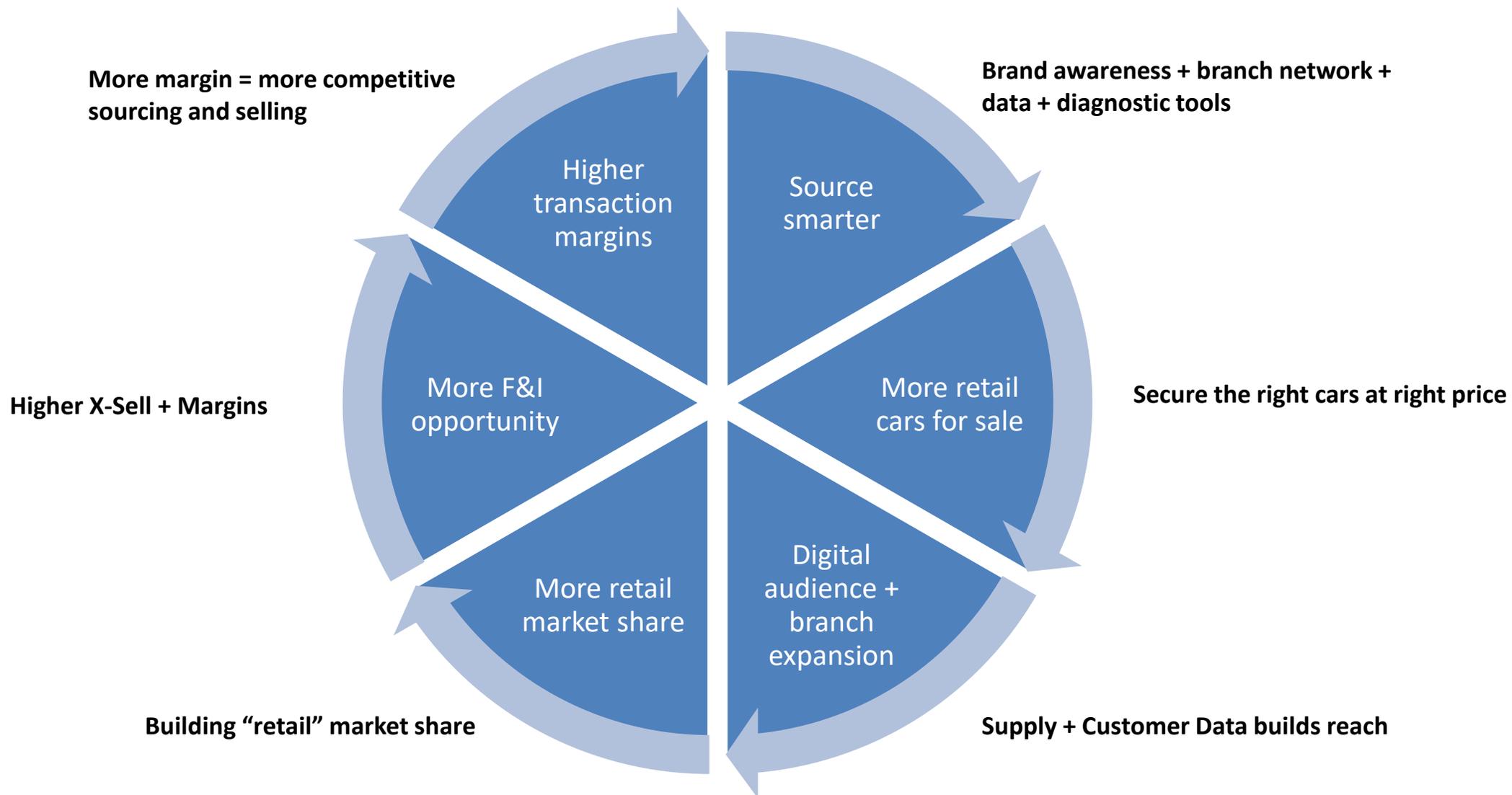
- 2019 Toyota Aqua:** As low as \$203/week, Distance 10 km.
- 2019 Toyota Corolla:** As low as \$259/week, Distance 19 km.
- 2015 Nissan LEAF:** As low as \$154/week, Distance 766 km. (Electric)
- 2017 Nissan LEAF:** As low as \$175/week, Distance 348 km. (Popular model, Electric)

Business divisions



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Our “flywheel” for our Auto ecosystem

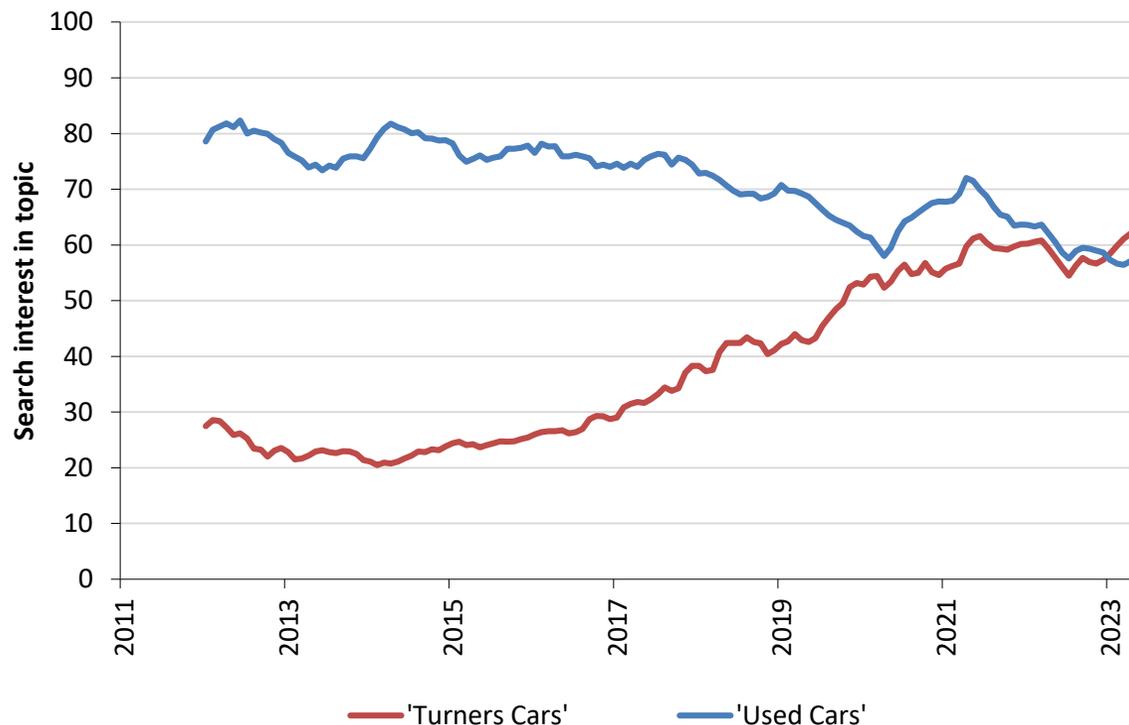


Auto Retail Division

Focus: Sourcing and retail optimisation

Automotive retail

Number of Google Searches for Used Cars v Turners Cars



- Selling more locally owned vehicles, buying less used imports which enables quicker turnaround in processing
- Opening more branches – bringing a supermarket approach to the used car market
- Less demand for higher priced vehicles and prices moderating as a consequence

Branch expansion, local sourcing and brand awareness driving market share growth

Material growth opportunity to shift wholesale/auction units into retail sales channel



Retail expansion pipeline

Ready for expansion. We have a balance of committed sites and future opportunities

Committed development pipeline

Location	Size	Timing	Expected additional profit contribution
Timaru	4,000m2	Q4 FY24	\$500k
Napier (site expansion)	8,000m2	Q4 FY24	\$500k
Christchurch - Hornby	15,500m2	Q4 FY25	\$400k
Christchurch – Burnside (Airport precinct)	8,000m2	Q4 FY25	\$300k
Christchurch – City Centre	6,000m2	Q1 FY26	\$500k

“Opportunities” pipeline

New locations

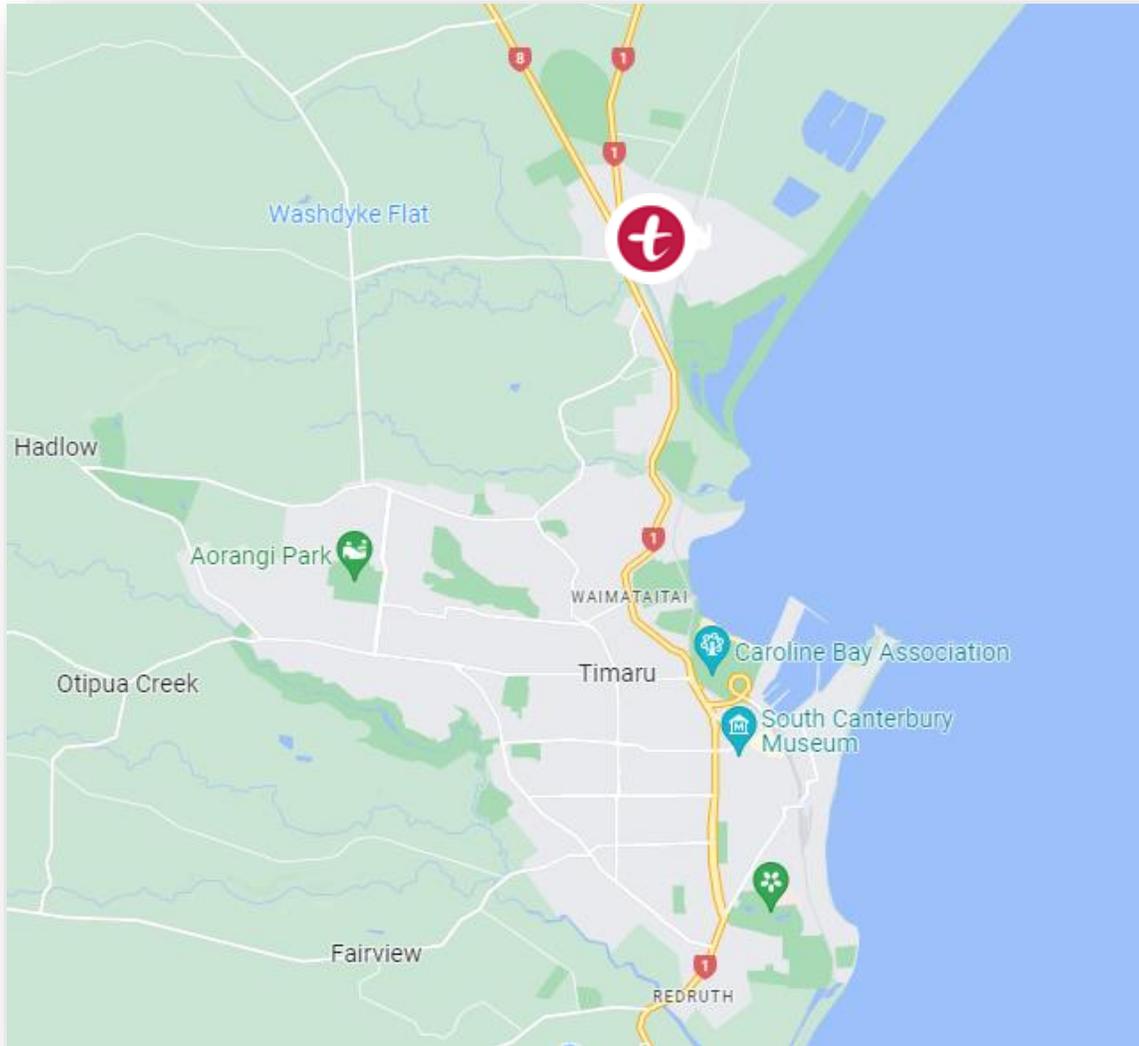
- Takanini/Drury
- Whanganui
- North East Christchurch
- Lower Hutt
- Albany North

Existing locations expansion

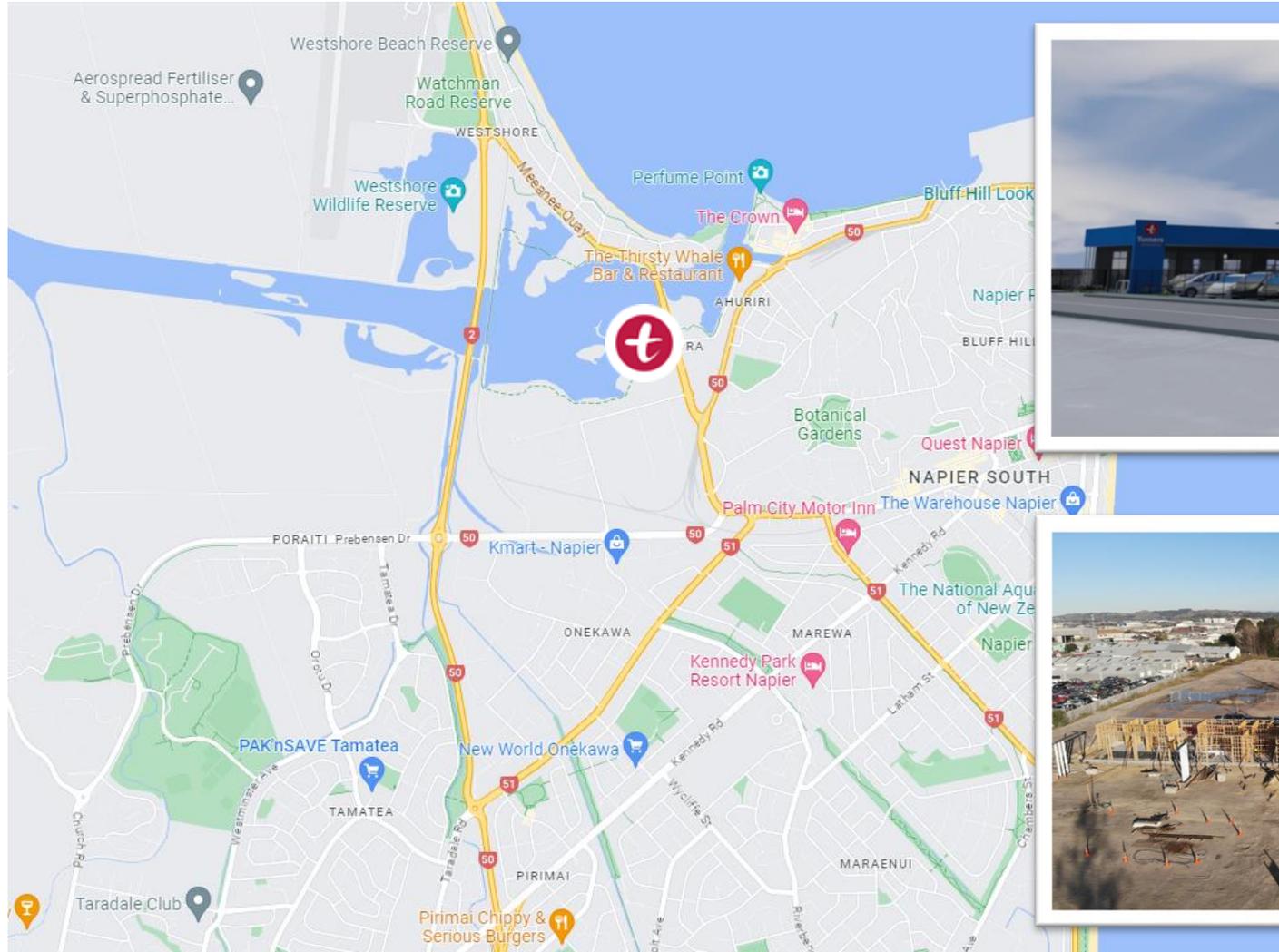
- Invercargill
- New Plymouth
- Tauranga

We own 14 of our sites with a cost value of \$95M

Timaru: New territory open Nov-23



Napier: Bigger better branch open Nov-23



Christchurch: 1 becomes 3 from mid-2025 to 2026

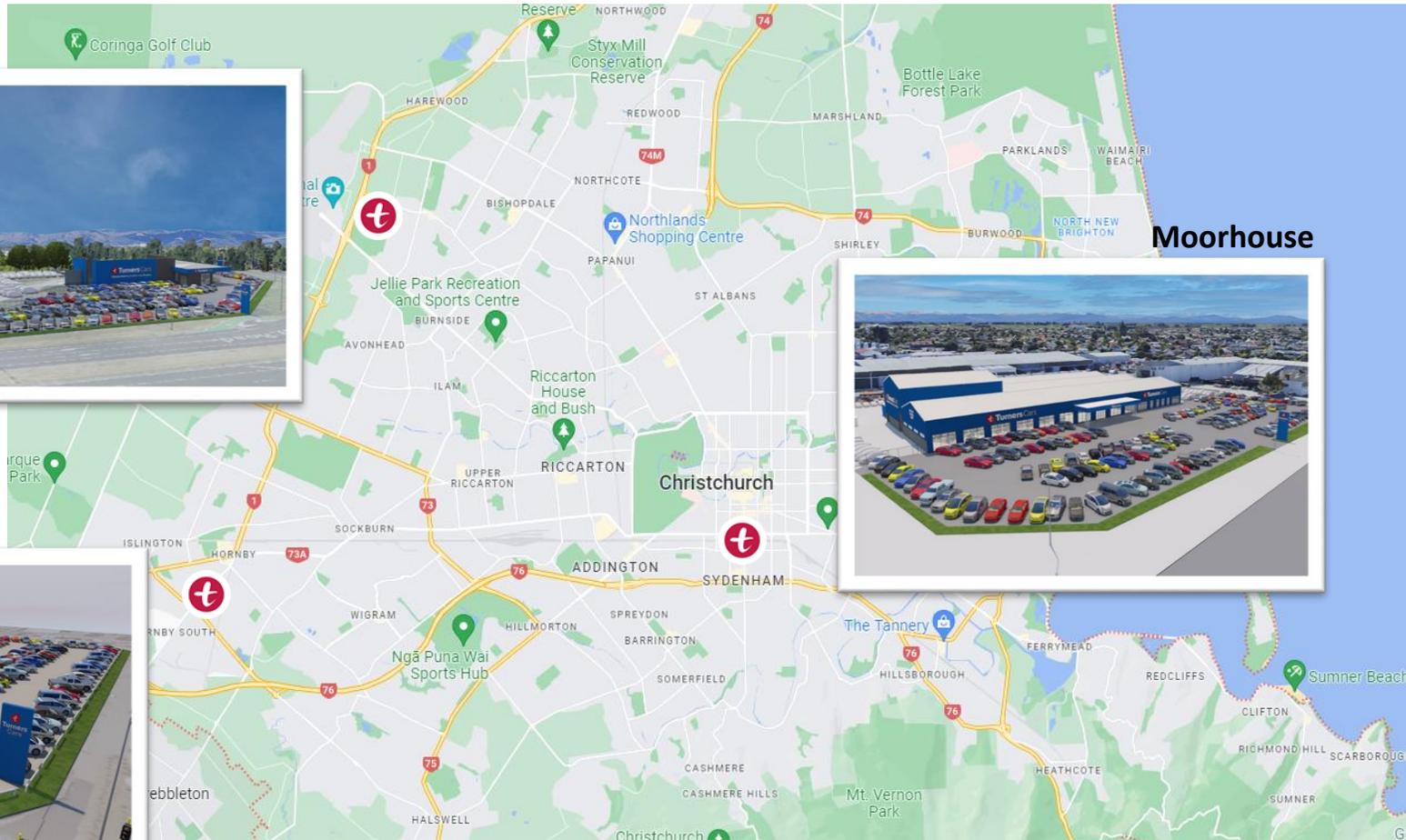
Wairakei



Moorhouse

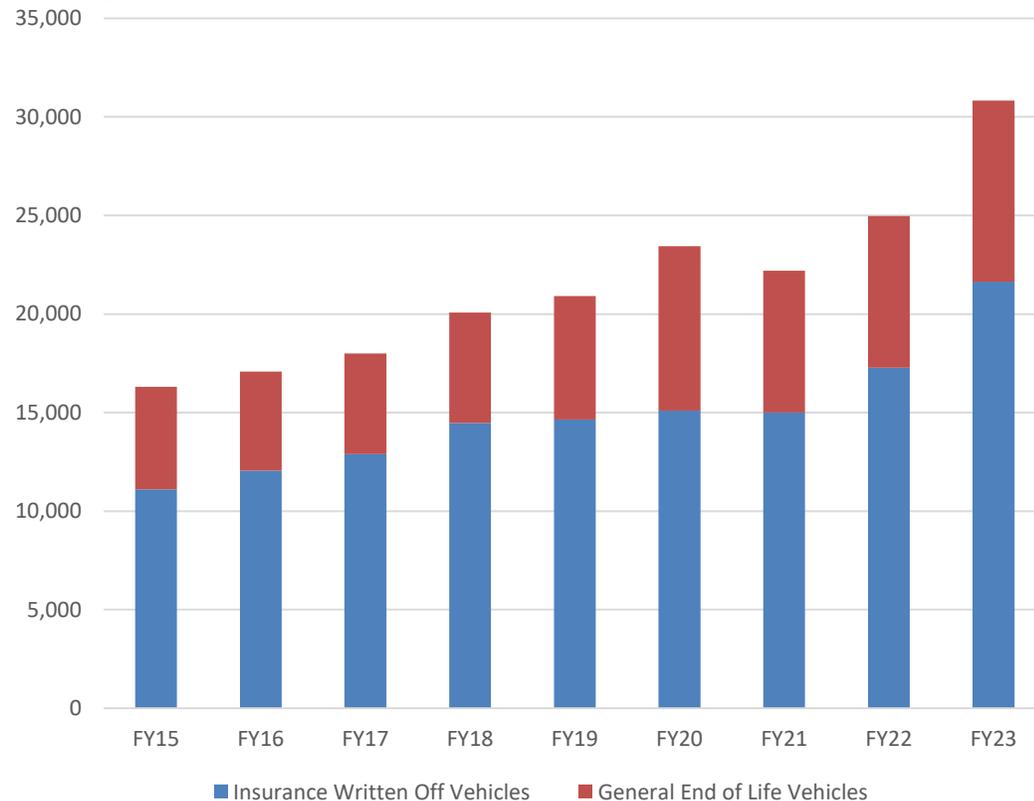


Hornby



Damaged and End of Life Vehicle volumes on the rise

Damaged and End of Life Vehicle Units sold through Turners



- 20% of the NZ vehicle fleet are more than 20 years old
- Accident damaged vehicles and older vehicles getting more expensive to repair (parts/labour), vehicles more technical
- Insurers are writing off more vehicles as uneconomic to repair
- Weather events led to more cars being written off

Our digital engagement continues to grow...

1M+

Unique website visitors up 25% to over 1m visitors in first 4 months of FY24

24%

increase to 13,500 vehicle appraisals booked online FY24 YTD

26,500

People saved a vehicle to watchlists up 26% FY24 YTD

32%

Lift in test drives booked online

30%

Lift in online generated vehicle selling leads

24%

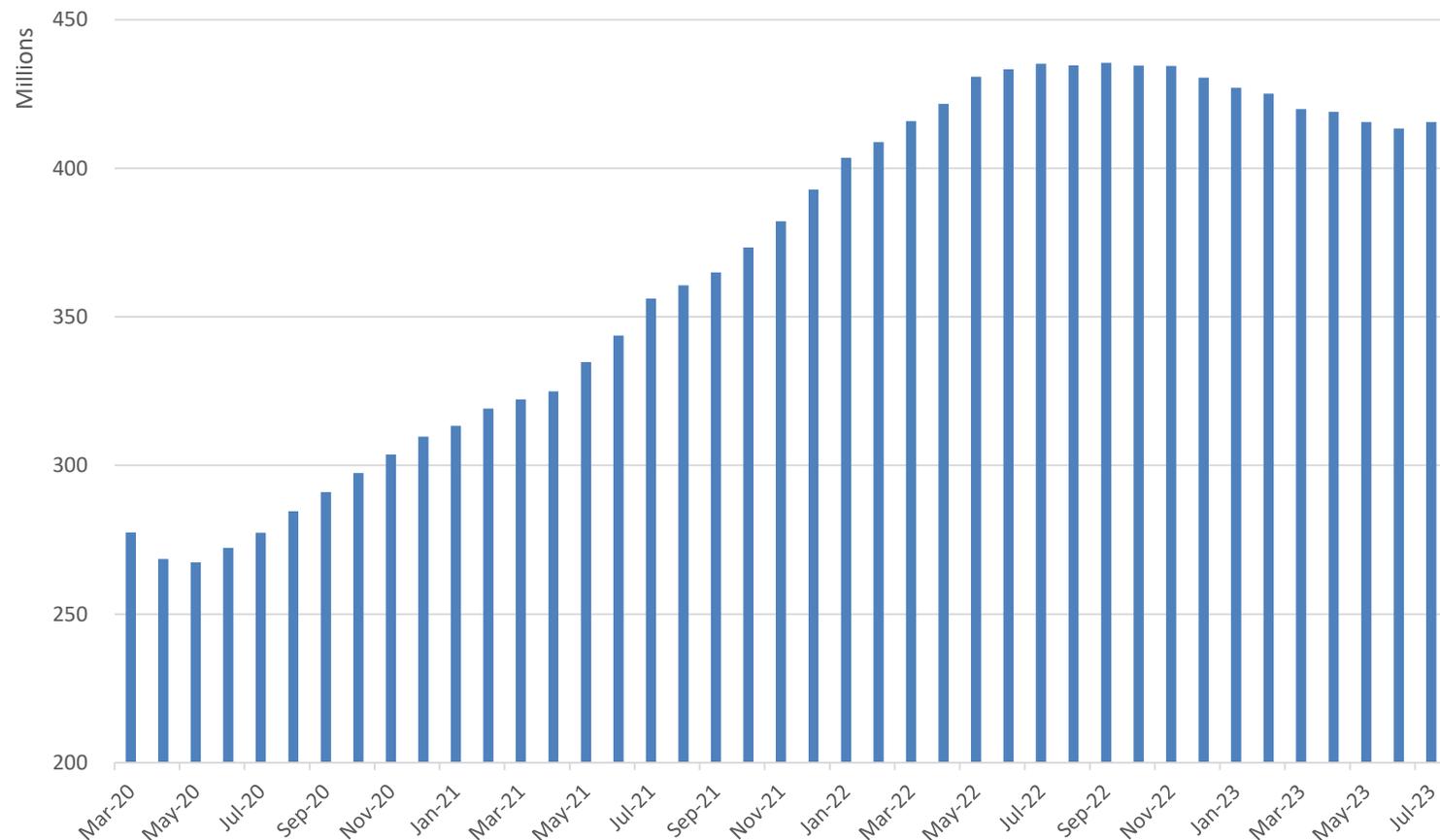
Increase in online vehicle finance applications FY24 YTD

Finance Division

Focus: Quality and Margin

Finance

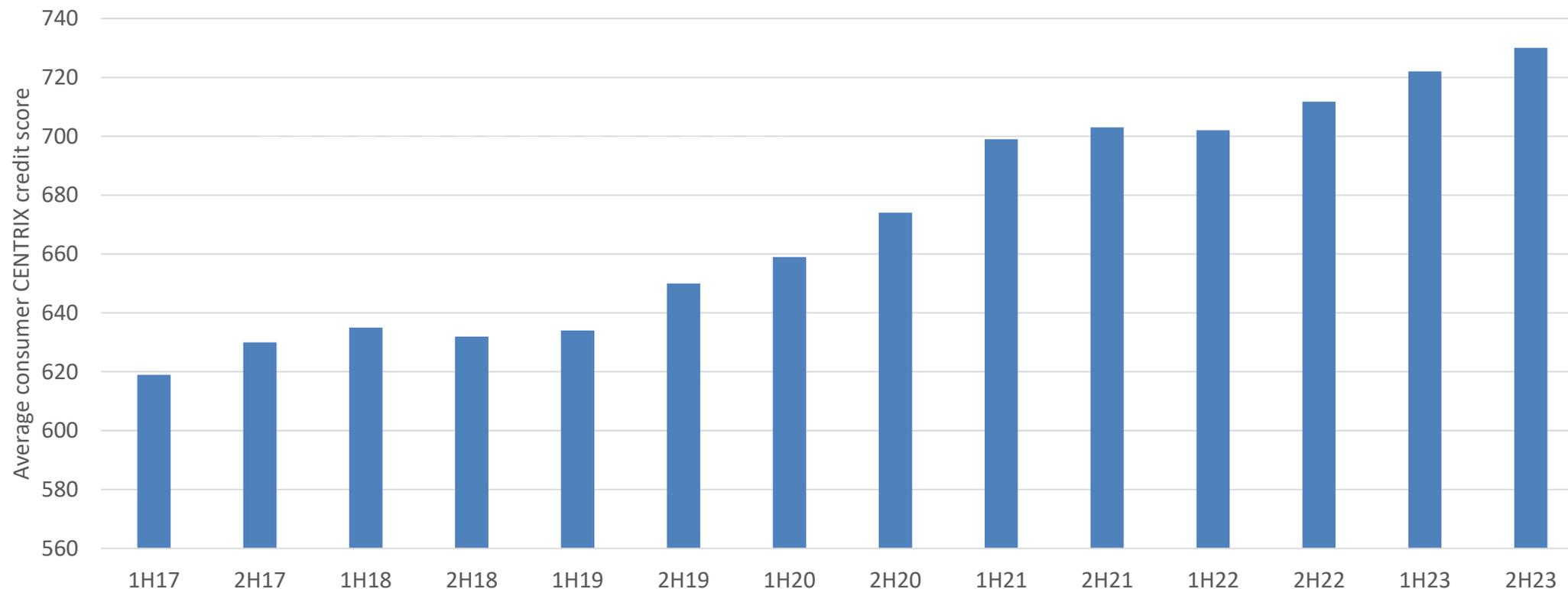
Total Receivables (ex impairments)



- Growth has moderated as credit quality, regulatory compliance and margin become higher priorities.
- A 110% or ~\$7M increase in interest expense has had a material impact on profits on average loan book.
- Strong receivables growth through our own Turners and Direct channels, up 20% in FY23 to \$108m.

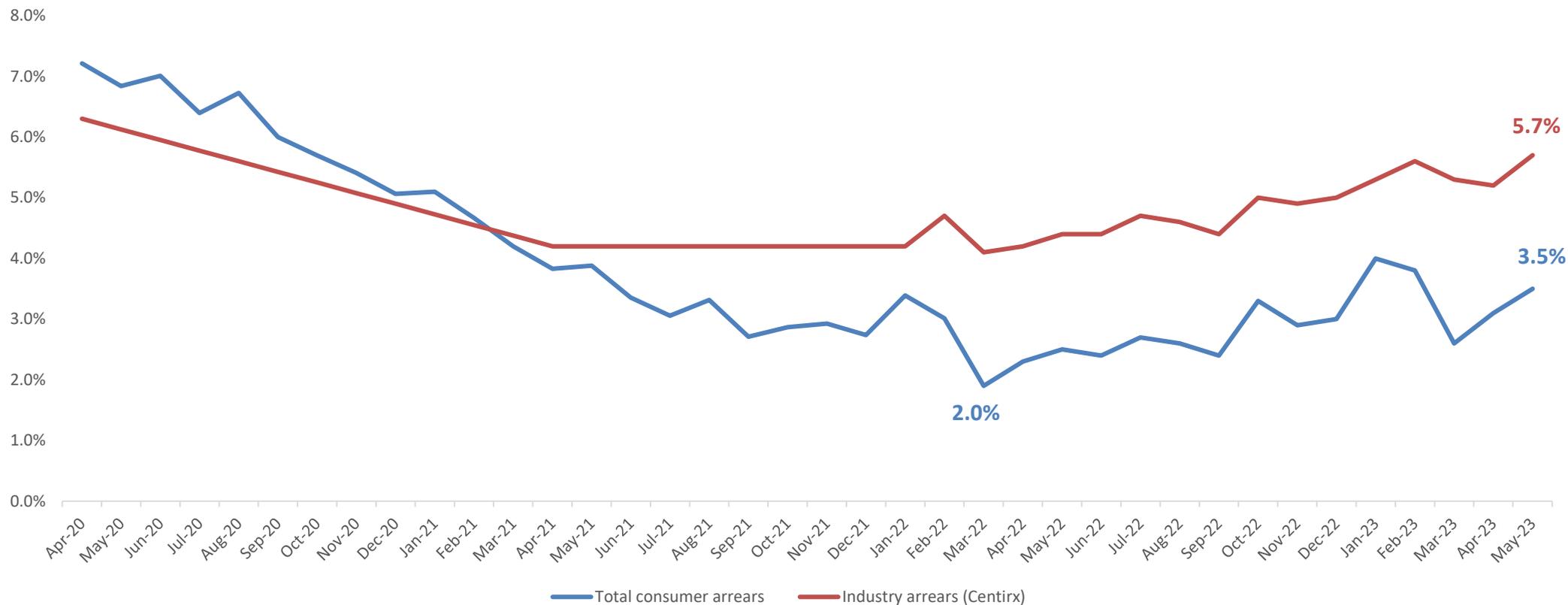
The quality of the finance book continues to improve...

Average Credit Score



Quality lending strategy resulting in arrears at well below industry benchmarks

Consumer arrears

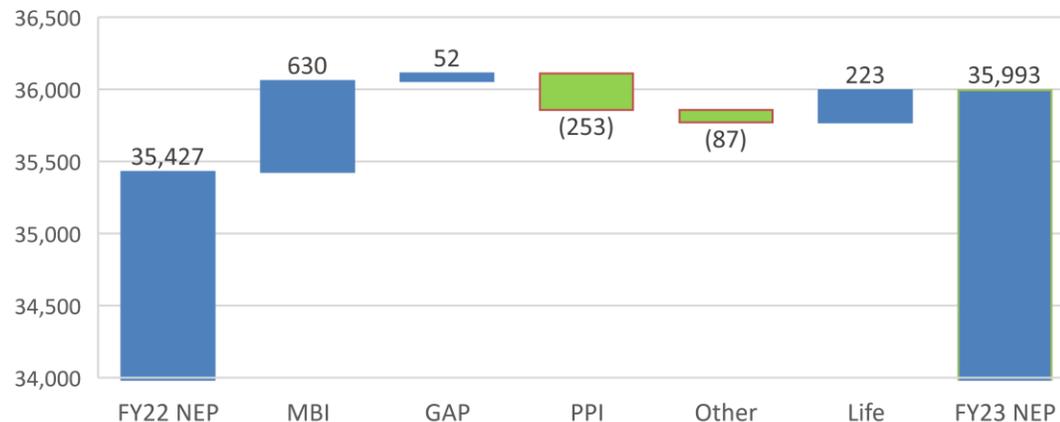


Insurance

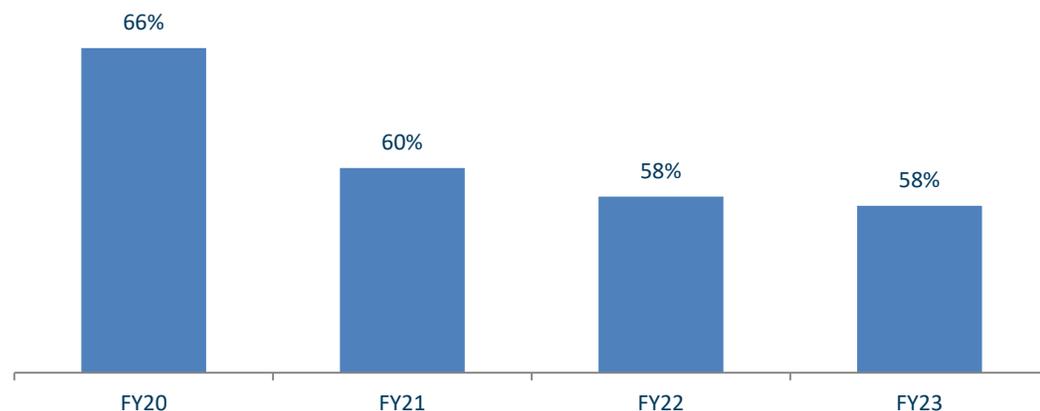
Focus: Growing distribution

Insurance

Net Earned Premium FY22 to FY23 (\$000's)



MBI Loss Ratio Performance



- Market share gains continuing to provide robust policy sales despite challenging market conditions.
- Digital distribution arrangements continuing to work well with further opportunities in pipeline.
- Pandemic and weather events have confirmed no catastrophe risk in portfolio, and our de-risking strategy has worked effectively.
- Claims Costs inflation being offset by frequency of claims reducing due to changes in consumer behavior (WFH and cost of living).

Examples of our digital distribution



52 franchisees and 200 dealer originators

Autosure mechanical breakdown insurance and Car insurance integrated into the finance application system



400 dealer and finance broker originators

Full suite of Autosure insurance products integrated into the finance application system



605 dealerships using their dealer management system to buy/sell and trade-in vehicles

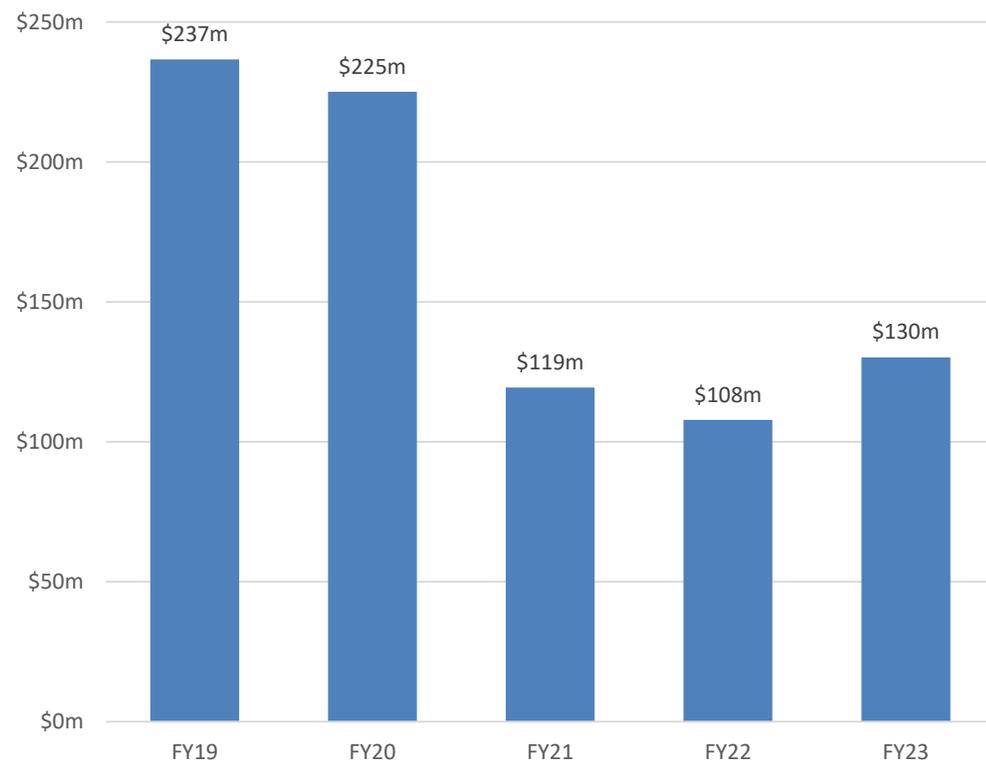
Autosure integrated directly into their vehicle selling process which easily quote for Mechanical breakdown insurance

Credit Management

Focus: Growing debt load

Credit management

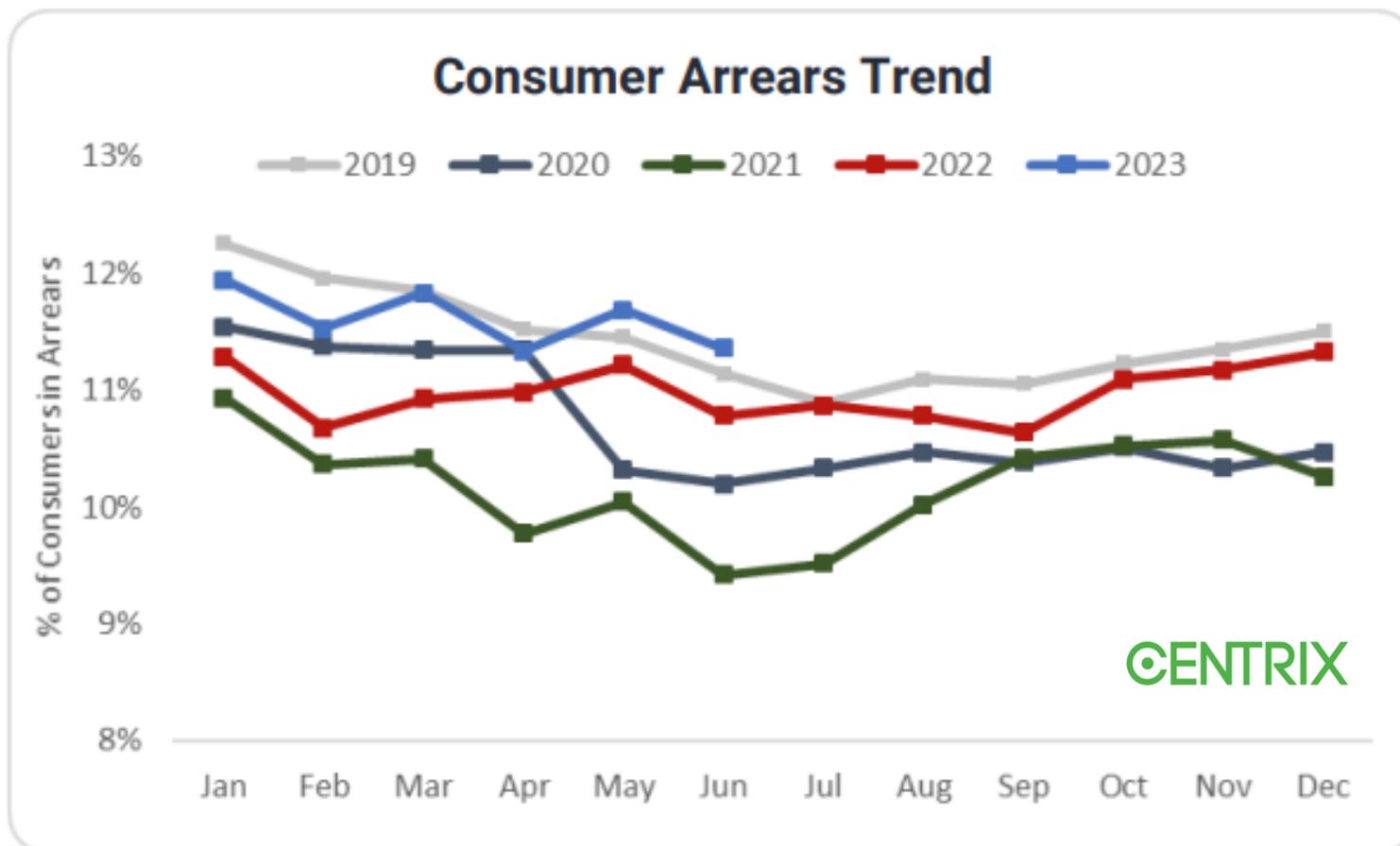
Total Debt Loaded (\$M)



- Debt value loaded increased by 20% (\$22M) over FY22 however 80% (\$18M) of this increase was from harder to contact and collect second placement debt.
- Debt value collected was down 9% to \$34.4M due to diminished customer payment capacity requiring lower repayment amounts to be accepted, and payment arrangements being extended.
- Promises to Pay kept rate has remained stable through the last 12 months at over 75%.

Debt load increasing as NZ credit arrears metrics deteriorate

Consumer Arrears Trend



Centrix NZ Credit Metrics to June 2023

- Consumer arrears at 11.4% of the credit active population in June
- Number of people that are behind on their payments is 414,000
- The current arrears level is 5% higher year-on-year, just above pre-pandemic levels (2019) after coming off historic lows.
- 4.6% of credit active consumers are currently 30+ days past due and 2.7% of consumer are at 90+ days in arrears.

Source – Centrix Credit Bureau

Funding

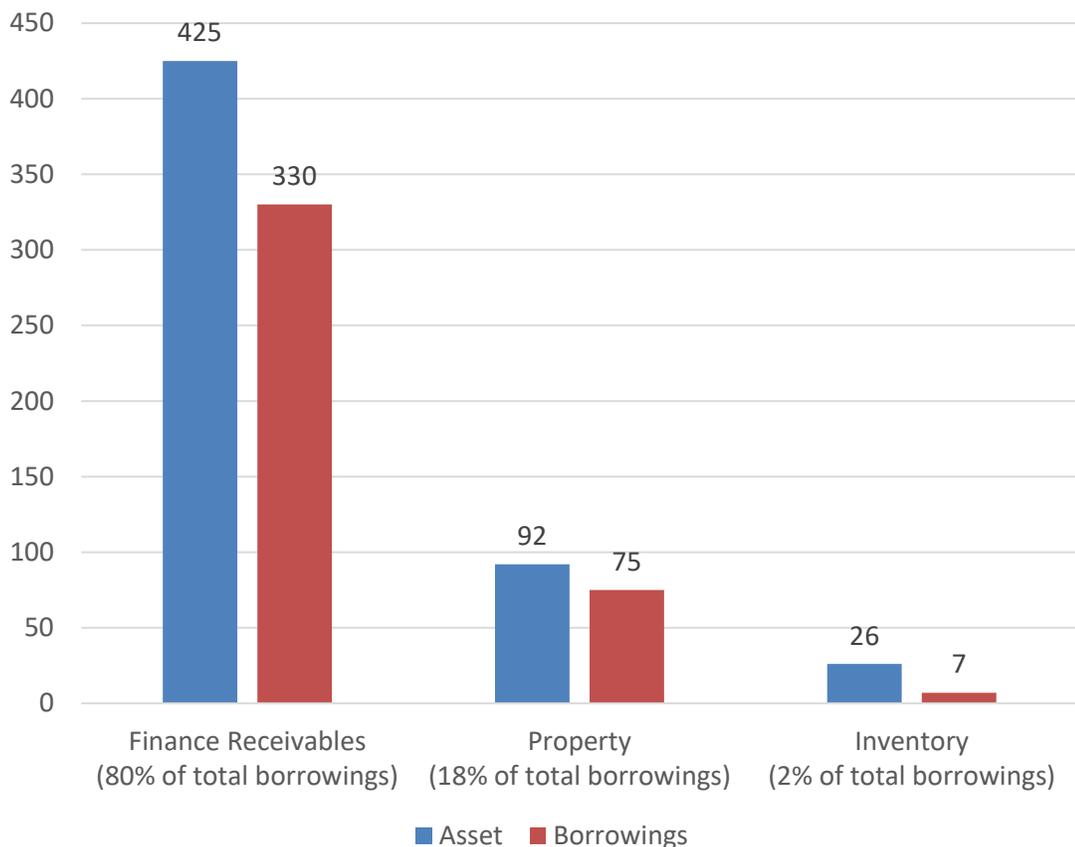


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Funding run conservatively and optimised to support growth

80% of borrowings are related to the finance receivables business

Borrowings by Asset Class (\$M) as at Mar-23



- Receivables funding capacity of \$41M and Corporate and Property funding capacity of \$65M
- Inventory funding broadened to provide flexibility for local purchasing as well as imports.
- Oxford capacity expected to support lending over the next 12-24 months.
- Corporate funding capacity more than sufficient to support current committed branch expansion plans in Auto.

3. Looking forward ...



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Outlook + guidance

Group guidance:

- Positive results for FY24 year to date, and on track for our FY24 result to be ahead of record FY23 result.
- Forecast dividend at this level of profit will be 24 cents per share (+4%), and Directors have declared a Q1 dividend of 6.0 cents per share fully imputed.

Macro summary:

- NZ still has a high level of economic uncertainty. Costs are up significantly, interest rates have never increased faster, and there has been more government regulation in finance and vehicle markets than ever before.
- Despite this environment, Turners business has continued to perform.

Segment outlooks:

- **Auto Retail** - Upside in H2 from our new branches. Supply-constrained market to continue with supply of vehicles an advantage for Turners. The transition of wholesale auction units into retail sales channel to underpin further market share growth.
- **Finance** - Quality and margin management remain key priorities within the finance division in the short term. We are seeing economic downturn impacting arrears. Margins expected to expand in near term although still some sensitivity to OCR track.
- **Insurance** - we expect new policy sales to be buoyant based on our distribution and market share gains and claims ratios to be stable.
- **Credit Management** - will perform better as the economic conditions worsen and the resultant lift in debt loads from corporate and SME clients. We are well positioned for the next stage of the NZ credit cycle.

Shareholder Discussion



3. Resolutions

The logo for Turners Automotive Group is centered within a white circular graphic. The word "Turners." is written in a bold, dark blue sans-serif font, with a period at the end. Below it, the words "Automotive Group" are written in a smaller, lighter blue sans-serif font. The background of the slide is a vibrant blue with a white curved line on the right side that frames a photograph of a blue SUV parked on a sandy beach near the ocean under a cloudy sky.

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Resolutions

ORDINARY RESOLUTIONS:

- **Resolution 1** - That Baker Tilly Staples Rodway be reappointed as auditor of the Company and that the Directors be authorised to fix the auditor's remuneration. Directors
- **Resolution 2** - That John Roberts, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.
- **Resolution 3** - That Matthew Harrison, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.
- **Resolution 4** - That Lauren Quaintance, who was appointed by the Board since the Company's last annual meeting and retires pursuant to NZX Main Board Listing Rule 2.7.1 and, being eligible, has offered herself for election, be elected as a Director of the Company.
- **Resolution 5** - That the pool for Directors' fees be increased by \$255,000 from \$665,000 to \$920,000 per financial year, with effect for the financial year commencing 1 April 2023.

Resolutions

SPECIAL RESOLUTIONS:

- **Resolution 6** - To alter the Constitution of the Company by deleting clause 4 of Schedule 2 and substituting the following:

Proposed new clause 4 Schedule 2

4 ***Proxy form must be sent or made available with notice***

A proxy form must be sent or made available with each notice of meeting.

Voting

Resolution: Proxies	FOR	AGAINST	PROXY DISCRETION
1. Auditor's reappointment / remuneration	21,563,727	97,842	1,973,737
2. Re-election of John Roberts	21,675,343	23,589	1,943,047
3. Re-election of Matthew Harrison	21,658,606	9,439	1,942,495
4. Election of Lauren Quaintance	21,586,041	11,251	1,982,041
5. Directors fee pool increase	13,201,352	3,368,129	1,757,370
6. Minor change in constitution to Clause 4 Schedule 2	20,983,750	413,609	2,020,716

Total proxies received in respect of 23,672,683 shares representing 27.1% of total shares on issue.
 Voting on each resolution will be by way of poll.

Close of meeting

Todd Hunter
Group CEO

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E: todd.hunter@turners.co.nz

Aaron Saunders
Group CFO

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