

20 November 2017

MTF reports full year profit of \$7.5 million.

Profit before commission and fair value movement is up 7.5%, to \$48.8m, a consequence of record sales growth in 2017. Commission paid to shareholder originators increased 10.5% to \$37.6m. Total amounts paid to shareholder originators, including commission, fees and payment waiver, increased 29.3% to \$69.9m, as originators have benefited from strong sales growth and a change in our product offering to include a non-recourse option.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance, decreased 7.6% to \$7.3m (2016: \$7.9m).

Unrealised loss on fair value of financial instruments totalled \$0.4m, compared to \$1.2m last year, giving net profit after tax of \$7.5m (2016: \$7.2m).

Sales throughout the year grew an impressive 35.7%, or \$149.4m, to \$567.4m. This large increase was the result of the completion of several initiatives, on top of a very buoyant year for vehicle sales.

The vehicle lending market generally remains very competitive with record PPSR registrations in 2017. The fact that we have grown our market share 17%, to 13.6% (2016: 11.6%), in a very bullish market, reflects the success of our strategic positioning and strength in our distribution model.

Operating expense, excluding bad debt, as a percentage of assets under administration dropped to 2.6% (2016: 2.8%). We continue to focus on robust cost management, while investing in areas that will ensure the business' future success.

MTF is a commercial enterprise with a co-operative spirit. Our future success depends on continuing to do things smarter, delivering superior cost effective finance and insurance services to originators so that they can best service the needs of their customers, and providing a good return to shareholders.

The automotive and finance industries are changing, with the key elements of car-sharing, autonomous vehicles, new technologies and customer expectations combining for significant impact. In the near-future, changing consumer behaviour, enabled by the internet and mobility, are expected to drive changes in financial services. Time-consuming paperwork will need to be replaced with information digitised and customised.

To gain and retain customers MTF must meet and exceed their needs and expectations at every interaction. To achieve this it is important that the 'customer-centric' model is embedded within the culture of MTF. MTF will focus on delivering exceptional support and service to all our customers and stakeholders through a programme of continuous improvement and innovative solutions that incorporate the strength of the local, human relationships between customers and our originating network.

In November 2016 we informed you of a partnership with Turners to provide a non-recourse offering to our originators. This partnership allows all MTF shareholders to benefit from Turners' ledger management experience, without exposure to the credit risk or MTF needing to resource a new team to manage this ledger.

The uptake has significantly exceeded all parties' expectations with sales in excess of \$58m since roll out in late 2016. The addition of a non-recourse product to supplement our traditional recourse offering presents MTF with exciting opportunities for the future.

The product was introduced primarily to provide motor vehicle dealer originators an alternative way of supporting the company they own and reflects the changing appetite this market channel is developing towards credit risk. It will also provide franchise originators a product to supplement their recourse ledger and provide a mechanism to balance out the risk of their portfolio in line with their individual risk appetites.

The worldwide speculation surrounding disruption in the areas where we operate, being the automotive and financial markets, has intensified over the past year. What we do know is that our markets are set for change, and while the extent and pace of this change remains unclear, we know we must position ourselves to adapt early and not wait to react. The board and management are confident that because we are agile, adaptive and put the customer at the centre of everything we do, we can look for new opportunities to support sustainable growth and profitability.

During a year where market competitive pressure has been intense, MTF has continued to produce excellent returns to both our originators and shareholders, which is something we actively look to balance. Return on ordinary equity, using underlying profit after tax, was 12.2%, down from 13.9% in 2016, still a very competitive return. Ordinary shares have continued to trade strongly and the share price is now in line with the net tangible asset value of \$2.13.

On 16 November 2017, the directors approved a final dividend of 7.37 cents per ordinary share for payment on 30 November 2017. Total distribution relevant to the period will be 13.37 cents per share (2016: 13.96 cents per share) or \$3.1m (2016: \$3.2m).

For further information, please contact

Glen Todd
Chief Executive Officer
03 474 6370
glen.todd@mtf.co.nz
Visit us at www.mtf.co.nz