

**TURNERS AUTOMOTIVE GROUP TRADING UPDATE:**  
**UPDATED GUIDANCE AND IMPROVED 4<sup>TH</sup> QUARTER FY19**

- **Guidance:** FY19 NPBT guidance updated to be above \$32m (excluding one off non-cash adjustment relating to Buy Right Cars rebranding), consistent with current guidance.
- **4th Quarter Trading Update:** Improvements in trading performance, with positive benefits from ongoing optimisation of retail network; relocation of the Whangarei site; and two new sites performing above expectations. North Shore branch relocation remains on schedule.
- **Group Strategy Review:** Board and senior management have been undertaking a full and comprehensive review of the group strategy with a focus on simplicity, de-risking the business and focusing on our core capability and brand strength in Automotive Retail. The outcome of the review will be communicated to the market by the end of June.
- **Brand Rationalisation for Auto Retail:** An early outcome of the strategy work is that Turners will focus on a single brand direction within the Auto Retail division. Buy Right Cars branches will rebrand to Turners to leverage the high levels of awareness and trust in the Turners brand. This will result in a \$4.5m one-off, non-cash write-off for the Buy Right Cars brand and signage value.
- **Q3 Dividend:** 4.0 cents per share, with minimum FY19 dividend of 17 cents per share expected.

**Updated Trading Guidance with Improved 4th Quarter**

Turners Automotive Group (NZX: TRA) is updating guidance for the full year to 31 March 2019 for NPBT to be above \$32m, excluding one off non-cash adjustment relating to Buy Right Cars rebranding. This updated guidance is consistent with the midpoint of previous guidance of 5 to 10% below \$34-36m, which was provided to the market in November 2018.

Whilst the market headwinds noted in the first half of the financial year have continued, pleasingly 4<sup>th</sup> Quarter FY19 trading performance was slightly ahead of expectations and an improvement on 3<sup>rd</sup> Quarter FY19. Vehicle margins have continued to recover since 1<sup>st</sup> Quarter FY19, although pressure remains on used vehicle import margins. In particular, demand in the Auckland market has remained soft.

## **Comprehensive Group Strategy Review**

The board and management have been undertaking a review of the group's strategy. All business divisions are being reviewed and early themes to emerge from this review are simplification, de-risking, focus on core capabilities and strengths, and investing in capital efficient growth opportunities. The board expects to communicate outcomes of this review to all stakeholders by the end of June.

An early outcome of the strategic review has been a decision to rebrand Buy Right Cars branches to Turners Cars. The decision was the result of detailed analysis by board and management who believe that the move to a single brand will create greater shareholder value over the medium-term. A single brand strategy provides opportunity to further leverage the high levels of awareness and the very strong trust that Kiwis place in the Turners brand. This will also enable marketing and other cost synergies. The Turners brand dominates the New Zealand used automotive retail market for awareness and trust, with 90% brand awareness nationally.

The brand rationalisation will result in a \$4.5m one-off, non-cash write off associated with the Buy Right Cars brand value, which will be incorporated in the FY19 results.

The board remains very confident in the long-term prospects for Turners Automotive Group. New Zealand's aging fleet will see hundreds of thousands of cars needing replacement over the next decade and current market conditions are leading to consolidation in the dealer market, which provides Turners with further opportunity to build market share.

**CEO of Turners Automotive Group, Todd Hunter said:** *"Turners is the largest used vehicle retailer in the country, with unrivalled reach, scale and national brand awareness. The NZ used vehicle market is still very fragmented and we will continue to focus on building our customer base and increase market share by adding value to customers through our 'one stop shop' offer and delivering better service."*

## **4<sup>th</sup> Quarter Trading update: Continued progress in retail network**

Turners' investment into its national retail network is delivering operating contributions with the new sites in Wellington and New Plymouth trading above expectations. Agreement has been reached to relocate Turner's North Shore site after the land was compulsorily acquired by NZTA. The settlement helps to offset the significant costs of absorbing key staff into the wider business, increasing marketing to offset the high profile "billboard" building, the move to the new Wairau Valley location, and the reduced operating contribution from a closed branch. The new North Shore branch will be operating towards the end of the 2<sup>nd</sup> Quarter FY20. The relocation of the Whangarei branch to a higher profile central city location was completed in March 2019 and since the move trading has proven to be strong.

Outside of its automotive division, Turners' finance, insurance and EC Credit businesses continue to perform in line with expectations.



### **Buyback and dividend**

The Share Buyback announced in November 2018 has been suspended due to the proximity to the financial year end. To date, 2.6m shares have been acquired (3% of pre-buyback shares on issue). Post FY19 results, the board will review whether the Share Buyback will continue. At current price levels the board continues to consider that Turners' share price does not reflect the fundamental value of the business. The board has declared a 3<sup>rd</sup> Quarter dividend of 4.0 cents per share (payment date of the 30<sup>th</sup> April) and the board's expectations remain in place for full year dividends of a minimum 17 cents per share.

**ENDS**

### **About Turners**

Turners Automotive Group Limited is an integrated financial services group, primarily operating in the automotive sector [www.turnersautogroup.co.nz](http://www.turnersautogroup.co.nz)

### **For further information, please contact;**

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