



Turners Automotive Group Briefing: July 2017

Todd Hunter: Chief Executive Officer

Aaron Saunders: Group Chief Financial Officer

HISTORY OF TURNERS AUTOMOTIVE GROUP

Turners Limited has been formed through the 2014 merger of New Zealand's largest vehicle and machinery retailer, Turners Auctions, and leading consumer finance and insurance business, Dorchester



1967

- Turners Auctions was established in 1967 when Turners and Growers Limited began auctioning cars and trucks alongside its fruit and produce business
- Today, Turners is New Zealand's largest auction house and vendor of second hand cars, trucks and machinery

Dorchester
Finance

DPL
Insurance

1984

- Dorchester was incorporated in 1984 as Venture Pacific Limited. The company became Dorchester Pacific Limited in 1992
- Over the following years, Dorchester developed a core financial services base through the acquisition of a number of finance companies throughout New Zealand aligned to its consumer finance and insurance strategy

Turners.
LIMITED

2014

- In 2014, Dorchester launched a successful takeover offer for Turners Auctions and consolidated its interests into a single entity that carried the Turners name
- The decision to continue the Turners brand recognised the rich history and consumer recognition attached to it

Turners.
Automotive Group

2017

- In 2017, Turners Limited changed its name to Turners Automotive Group to enable a Foreign Exempt Listing on the ASX and to reflect the focus of the group on the automotive sector

AN INTEGRATED AUTOMOTIVE FINANCIAL SERVICES GROUP

Primarily operating in the automotive sector and providing strength in three key areas:



AUTOMOTIVE RETAIL

Controlling the buying and selling of second hand cars, trucks and machinery to earn a transactional margin and delivering cross-sell opportunities for Finance and Insurance

Turners is the largest second hand vehicle retailer in New Zealand



FINANCE AND INSURANCE

Helping customers with simple and attractive finance and insurance products, and building annuity revenue streams

Turners has a portfolio of reputable businesses offering finance and insurance products to customers across New Zealand, including personal, motor vehicle loans and insurance



DEBT MANAGEMENT SERVICES

Helping businesses of any size in New Zealand and Australia with better management of their credit challenges

Turners has a growing presence in the debt management sector in both New Zealand and Australia through its EC Credit business

Turners.

Automotive Group

Turners.
Automotive Group



Pacific Life Ltd.



A GROWING NATIONAL FOOTPRINT

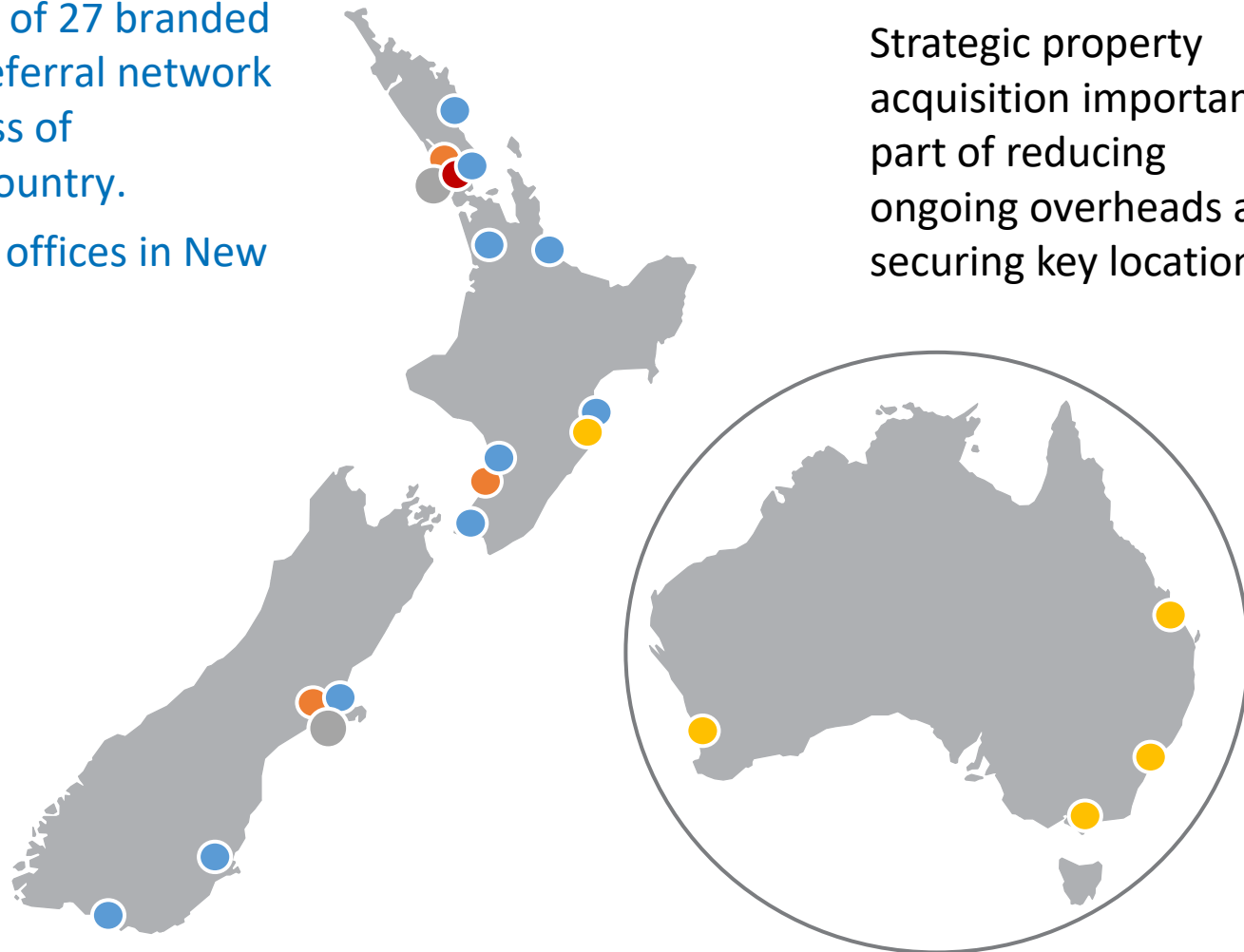
Rapidly Expanding Through Acquisition And Organic Growth

Turners operates a national network of 27 branded automotive retail sites as well as a referral network for its Finance and Insurance business of approximately 500 sites across the country.

Our Debt Management business has offices in New Zealand and Australia.

Strategic property acquisition important part of reducing ongoing overheads and securing key locations

-  **Turners Group**
19 branches in 15 cities and 350 staff
-  **Finance**
Three regional business and 55 staff
-  **Insurance**
Two offices and 13 staff
-  **Debt Management**
Five offices and 145 staff
-  **Buy Right Cars**
Eight sites in Auckland



CORPORATE STRUCTURE

Board of Directors

- Grant Baker, Chairman
- Paul Byrnes, Executive Director
- John Roberts (Independent)
- Anthony Vriens (Independent)
- Alistair Petrie
- Matthew Harrison

Major Shareholders (over 5%) as at 31 March 2017

- | | |
|-------------------------------------|--------|
| • The Business Bakery and interests | 16.32% |
| • Bartel Holdings | 9.04% |
| • Harrigens Trustees Ltd | 8.94% |
| • Salt Funds Management | 8.28% |
| • Milford Asset Management | 5.18% |

CORPORATE STRUCTURE

NZX Code

TRA

Current Market Cap
as at 26 July 2017

\$265M

Securities on Issue

74,523,527

FY17 FINANCIAL HIGHLIGHTS

Continuing To Deliver Growth

Operating Revenue	\$251m	↑47%	47% increase in revenue from acquisitions and organic growth
Record NPBT	\$24.6m	↑14%	Net Profit Before Tax of \$24.6m, slightly ahead of March 2017 guidance
Strong NPAT	\$17.6m	↑13%	Net Profit After Tax up 13%
Shareholders Equity	\$171.7m	↑32%	Results exclude any contribution from Autosure Insurance
Finance Receivables	\$207.1m	↑24%	Shareholders Equity reflects successful \$13.4m capital raise and \$17.5m conversion to equity in 2014 Bond
Total FY17 Dividend	14.5 cents per share	↑12%	

TRENDS IN THE INDUSTRY

Changing Consumer Buying Behaviour

- More tech-savvy and informed due to the abundance of information online
- Increased willingness to buy online with the proviso that sufficient information is available to truly evaluate the vehicle

Role of the Dealer is Changing

- Need to be as or more informed than the consumer
- Ability to offer the complete package from sales to finance and insurance
- Need to devise ways to make quick, convenient sales



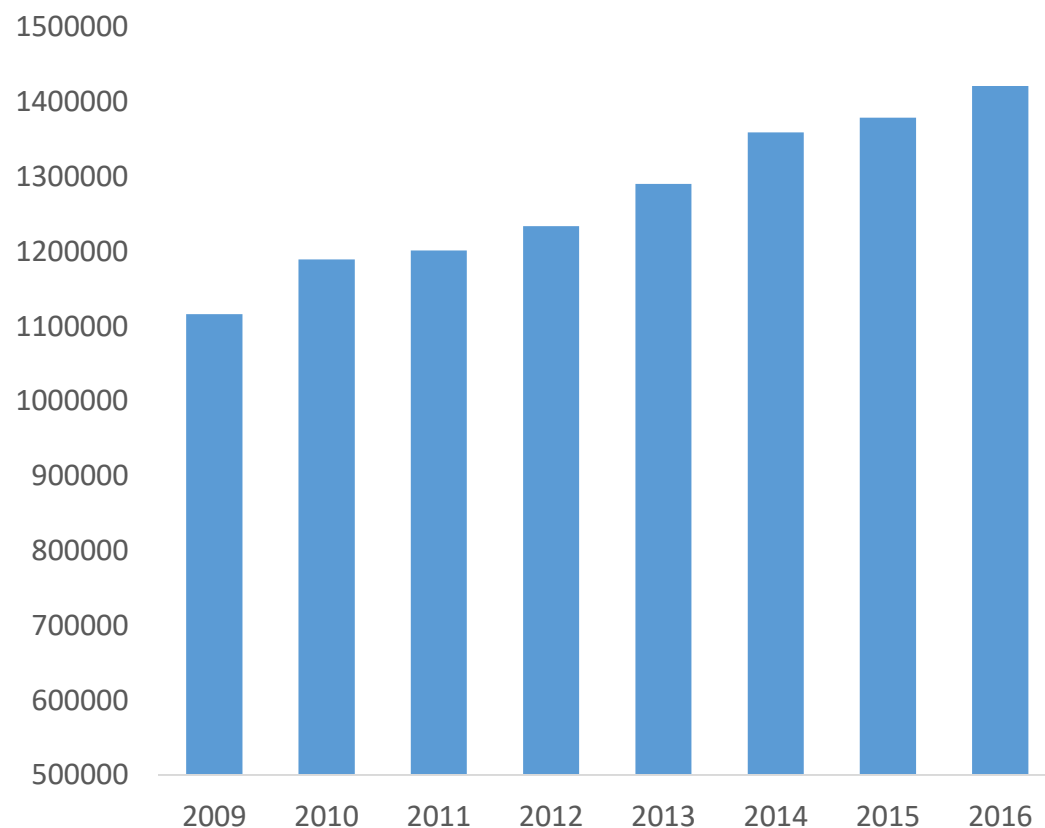
NEW ZEALAND MARKET



- 3.5 million registered light vehicles on NZ roads
- Since 1994, the real price of a new car has gone down by 22%, making them much more affordable.
- Average age of a car in New Zealand is 14 years. 20% of cars (approx. 700,000) are more than 20 years old.
- In 2015, the average age at which light vehicles were scrapped from fleet was 19.2 years for Import and 18.7 years for NZ New, implying the peak of mid-90's imports are nearing scrap time
- 23% of New Zealand drivers say they are very likely or extremely likely to buy a car in the next 12 months. Car buying process typically takes between 4 and 6 weeks

GROWTH INDUSTRY

Used Vehicle Sales



Used vehicle transactions in NZ (including deregistered vehicles and trucks)

Over 1.1 million used car transactions in 2016

2016 was the fifth record year of used car sales in a row since 2012

2016 was the highest number of NZ vehicle registrations yet recorded and almost at the high seen in 2006

Used vehicles were almost half of all registrations

OUR STRATEGY IS FOCUSED ON GROWTH



ORGANIC GROWTH: Identify opportunities to grow each business: More customers, more products and services, more channels, better technology

GROUP INTEGRATION: Cross selling product across the group, and building a common operating and funding platform for the finance businesses

MERGERS AND ACQUISITIONS: Target businesses that build capability/scale and have sustainable earnings and growth potential

OUR PEOPLE: Invest into upskilling and rewarding our people to encourage them to strive for growth

FY17 HIGHLIGHTS: ACQUISITIONS



Buy Right Cars Branch Papatoetoe

Growth of the business, particularly in the automotive sector:

- Buy Right Cars Group August 2016
 - Significantly increases Turners' footprint in the key Auckland market
 - Compliance and Service Centre adds capability
 - Creates further cross-sell opportunities for Turners' Finance and Insurance businesses
 - Currently tracking 10% ahead of expectations
- Autosure Insurance December 2016
 - Gives much needed scale and market leadership
 - Underwriting partnership with Vero for motor vehicle insurance
 - Transfer of inforce portfolio from 1 April 2017
 - Successful transition to Turners ownership

FY17 HIGHLIGHTS: ORGANIC GROWTH



Fonterra Trucks sold through Turners Trucks and Machinery

Launch of new products and expansion of existing businesses and retail channels:

- Launch of MTF non-recourse lending product. New lending of \$35m at end of June 2017, significantly ahead of expectations with growing momentum
- Expansion of Trucks and Machinery footprint, with acquisition of two new strategic sites (now five in total)
- Improvement in retail “end-user” sales in Turners Cars driving growth in finance and fleet margins (fixed price sales up 46% YoY)
- Launch of online initiatives Cartopia (online car store) and AutoApp (online loan origination portal)
- Implementation of Securitisation Funding program with BNZ (initially \$150m)

FY17 HIGHLIGHTS: GROUP INTEGRATION



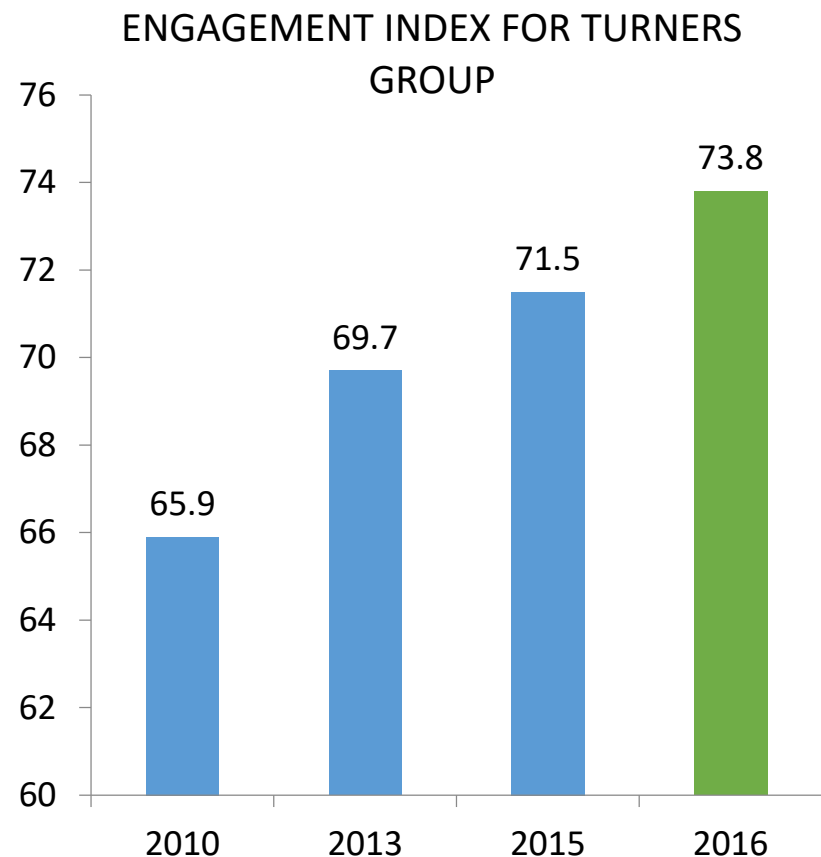
Turners, Oxford Finance and Autosure are all key brands for the future



Ongoing initiatives commenced in FY17:

- Finance companies to combine into a single operating entity (technology platform, branding)
- Merge of insurance companies into a single selling entity (branding and technology platform)
- Creation of a single selling platform for finance and insurance
- Loan origination from Buy Right Cars now directed to Turners owned finance companies

FY17 HIGHLIGHTS: PEOPLE



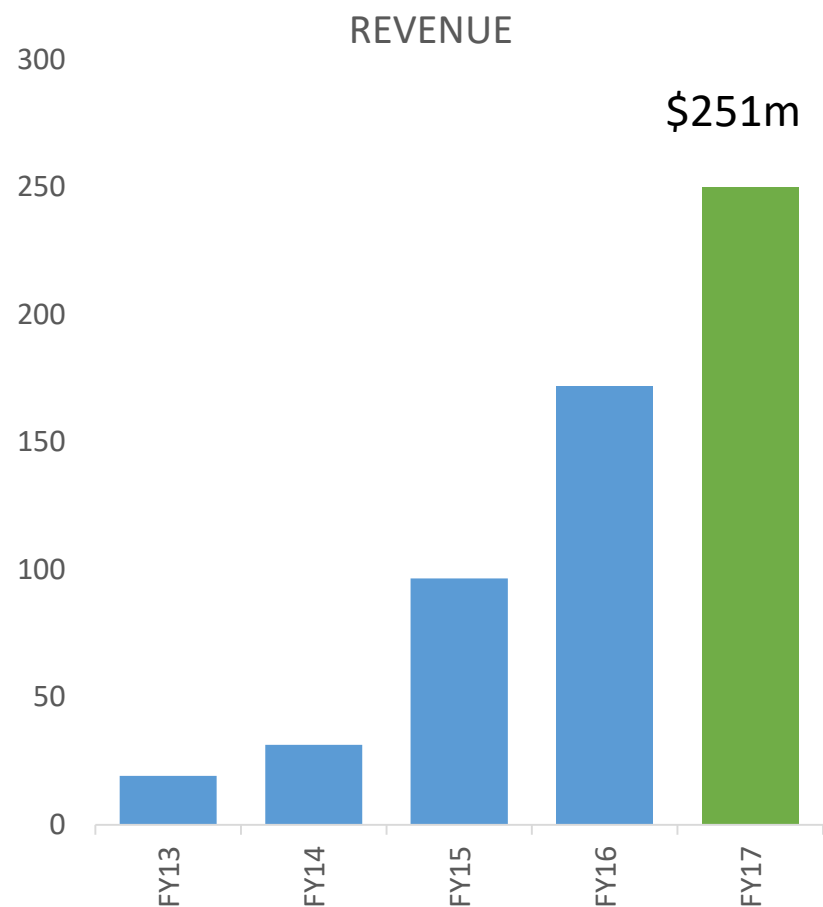
- Strengthening of Turners executive team
 - Aaron Saunders (Group CFO)
 - Dion Jones (Group GM Finance Division)
 - James Searle (Group GM Insurance Division)
 - Greg Hedgepeth (CEO Automotive Retail Division)
 - Campbell Smith (GM Sales and Channel Development)
 - Simon Gould – Thorpe (Group CIO)
 - Sonya Rose (GM HR)
 - Dave Wilson (CEO EC Credit Control)
- Transition to new Group CEO successfully completed from 1 July 2016
- Staff engagement measure to be implemented throughout business (IBM Kenexa measure)
- Staff engagement tracking well in Turners Group

FINANCIAL REVIEW

Turners.
Automotive Group



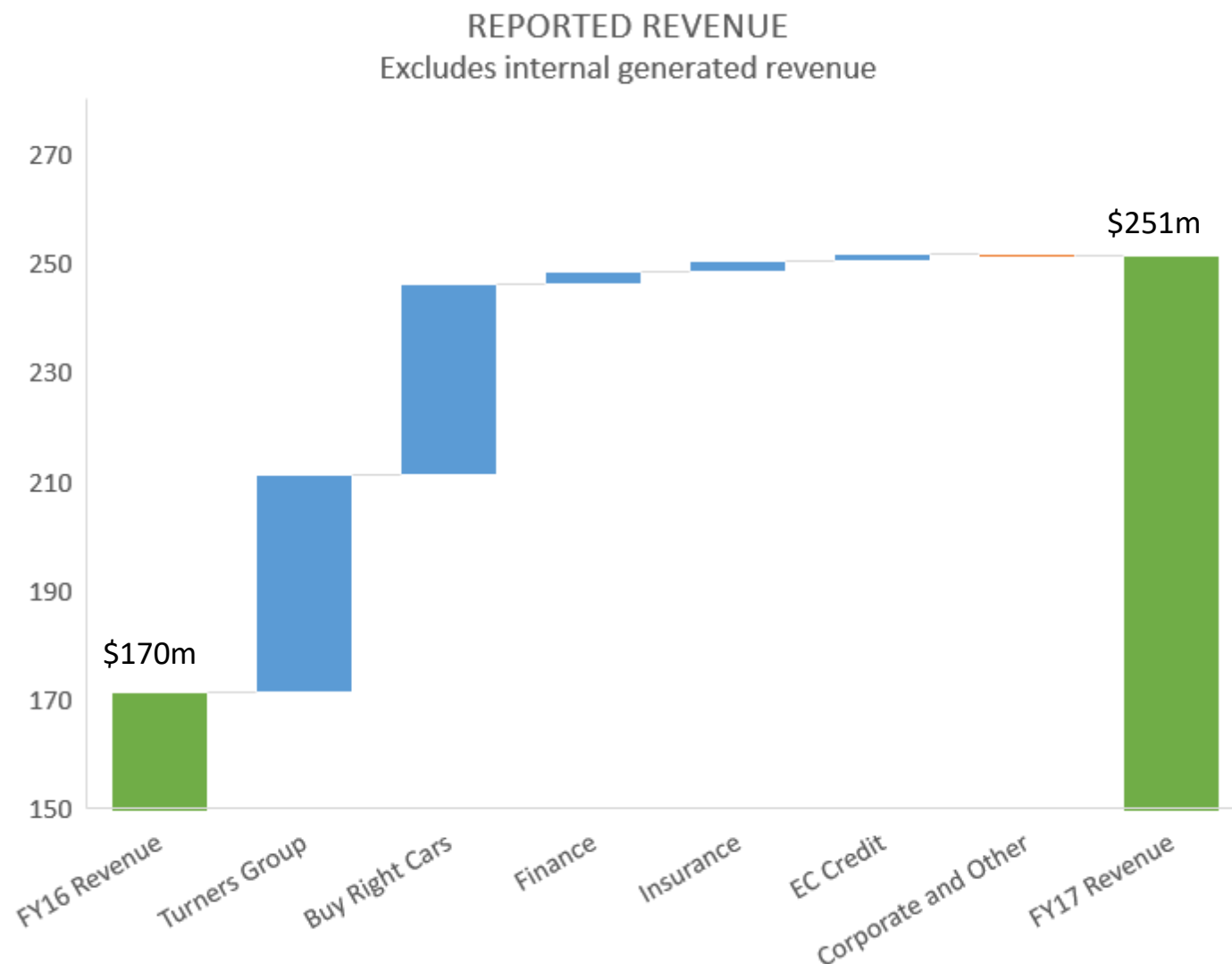
REVENUE UP 47% TO \$251M



Revenue has grown 47% in the past year

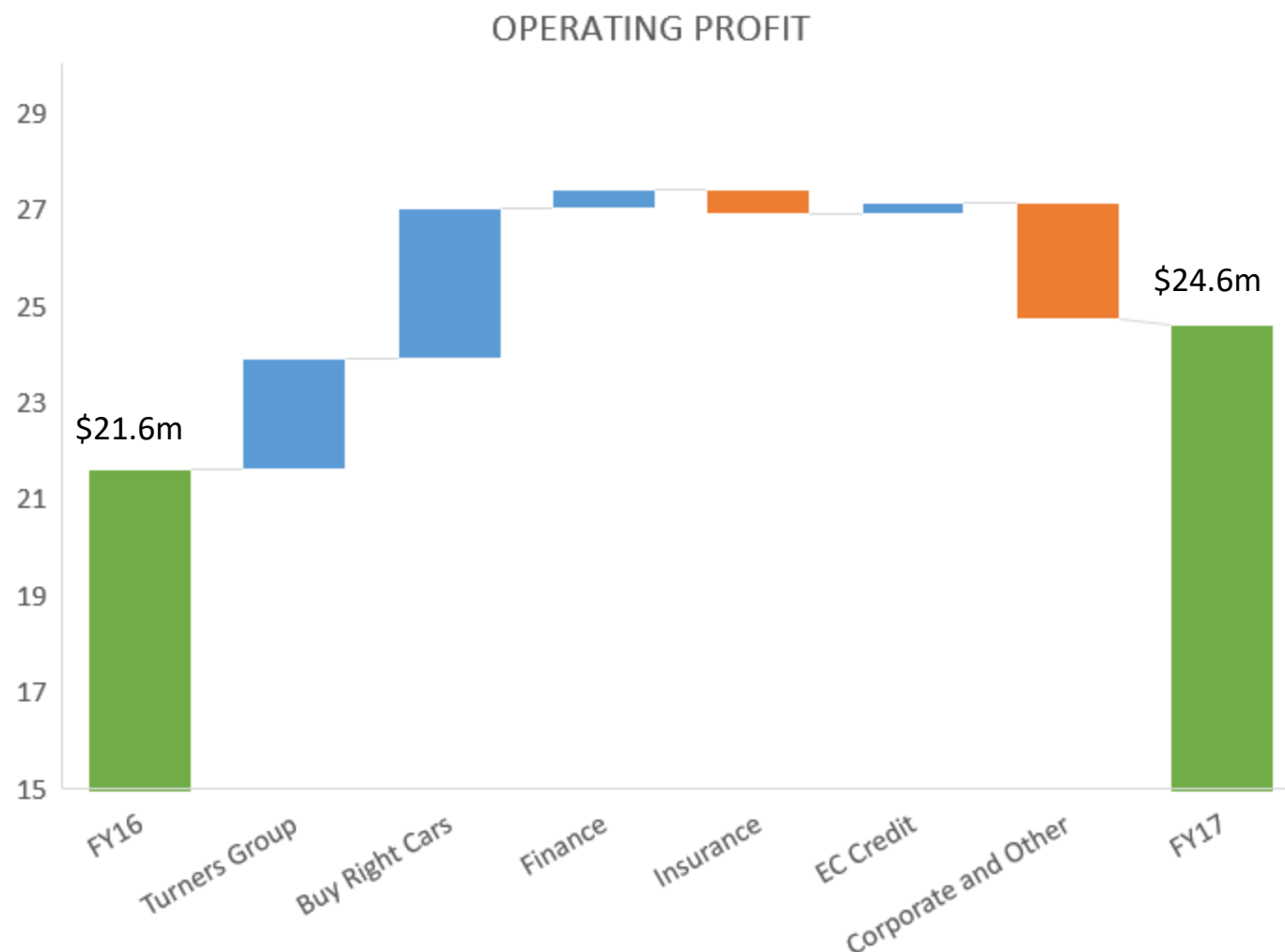
- Revenue increases being driven by higher vehicle sales activity due to acquisitions and organic growth up \$72.1m YoY to \$142.6m
- Annuity income from finance and insurance businesses providing additional stability and security up 22% YoY to \$53.2m

FY16: FY17 REVENUE BRIDGE



- Increased sales of “owned stock” in Turners Group, higher end user retail sales, growing finance book
- Eight month contribution from Buy Right Cars
- Growth in finance book from Buy Right Cars deal origination, organic growth and MTF non-recourse
- No contribution from Autosure Insurance in FY17

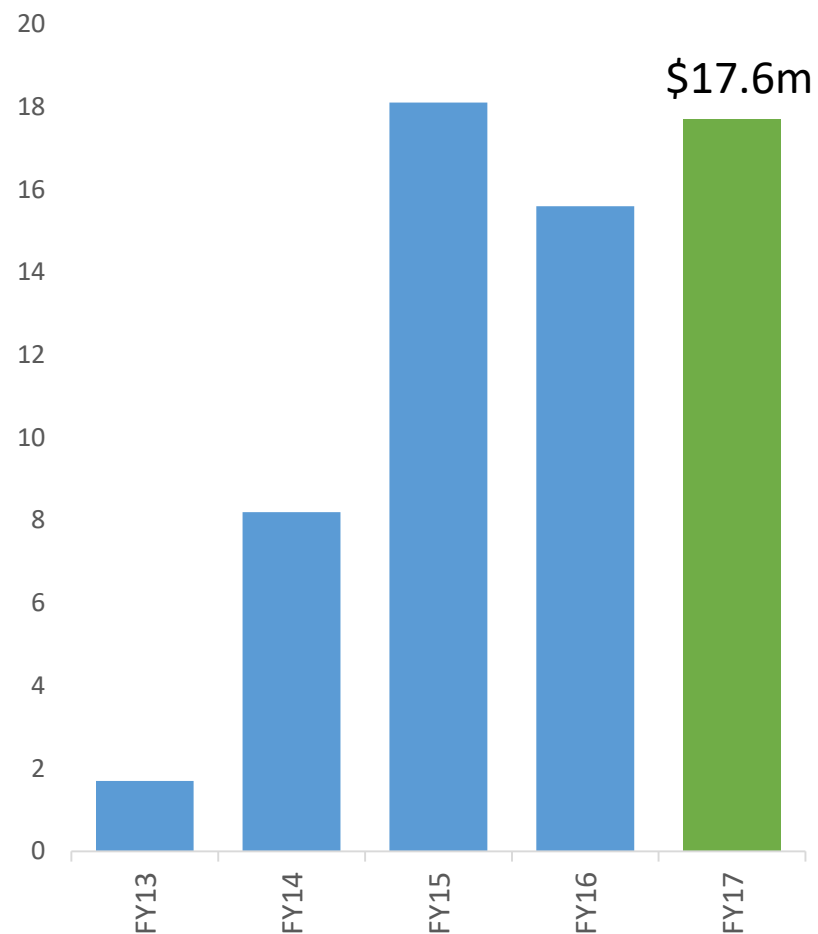
FY16: FY17 OPERATING PROFIT BRIDGE



- Turners Group performance increased sales of owned stock and lift in finance and insurance sales
- Eight months' trading contribution from Buy Right Cars
- Finance result improvement due to increase in ledger
- Insurance impacted by change in loss ratios
- Solid growth in EC Credit Control after factoring in change in unredeemed voucher liability v FY16
- Corporate costs impacted by acquisition costs and increased interest on acquisition funding

PROFIT CONTINUES TO GROW STRONGLY

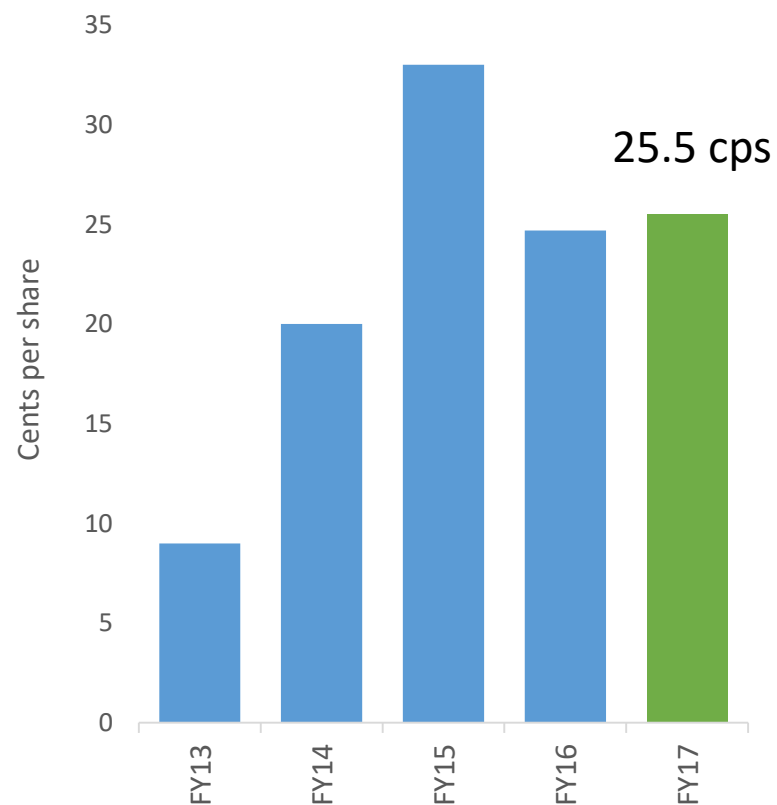
NET PROFIT AFTER TAX



Operating Revenue	\$251m	↑47%
Record NPBT	\$24.6m	↑14%
Strong NPAT	\$17.6m	↑13%
Taxation expense	\$7.1m	↑19%
Total FY17 Dividend	\$14.5 cents per share	↑12%

EARNINGS PER SHARE AND DIVIDEND

EARNINGS PER SHARE



Dividend Policy: Pay out of between 50% and 55% of net profit after tax

- FY17 transitioned to quarterly dividends and fully imputed
 - Q1 @ 3.0c per share
 - Q2 @ 3.0c per share
 - Q3 @ 4.0c per share
 - Q4 @ 4.5c per share
- FY17 full year dividend of 14.5 cents per share (FY16: 13.0 cps un-imputed)

Prior years adjusted for 10:1 share consolidation undertaken in FY16

BALANCE SHEET

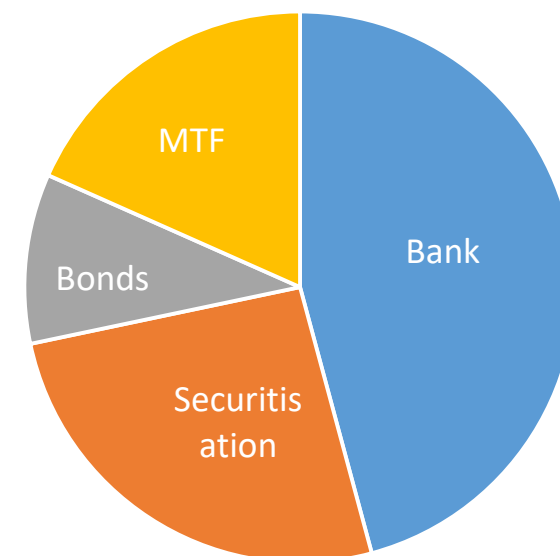
\$millions	FY17	FY16
Cash and cash equivalents	69.1	13.8
Finance Receivables	207.1	167.6
Inventory	44.6	14.2
Property, Plant and Equipment	18.9	11.1
Other Assets	45.9	42.6
Intangible Assets	172.1	118.1
TOTAL ASSETS	557.7	367.4
Borrowings	265.9	174.8
Other Payables	35.7	21.5
Deferred Tax	20.2	8.7
Insurance Contract Liabilities	43.9	9.8
Other Liabilities	20.3	22.8
TOTAL LIABILITIES	386.0	237.6

- Increase in cash balances due to transfer of Autosure Insurance liabilities on 31 March 2017
- Inventory increase due to Buy Right Cars acquisition and higher Turners Fleet stock
- Increase in Shareholders Equity to \$171.7m primarily due to successful conversion to equity from the 2014 Bond Programme \$17.5m and subsequent \$13.4m share placement

FUNDING MIX

	FY17 \$m	% of Total	FY16 \$m	% of Total
TOTAL ASSETS	558		367	
Equity	172	31%	130	35%
Convertible bonds	26	5%	23	6%
Securitisation Funding (BNZ)	69	12%	0	0%
Bank Funding [Corporate BNZ & ASB]	122	22%	108	29%
MTF Finance Receivables Funding	49	9%	42	11%
Insurance Contract Liabilities	44	8%	10	3%
Life Investment Contract Liabilities	13	2%	16	4%
Payables and Deferred Revenue	43	8%	29	8%
Deferred tax liability	20	4%	9	2%

FY17 Borrowings by Source



- Securitisation has diversified funding mix
- Funding for different purposes eg. inventory and property acquisitions (\$28m)
- Significant headroom in Securitisation facility to support ongoing growth in finance book
- Strong support from BNZ for funding growth

AUTOMOTIVE RETAIL



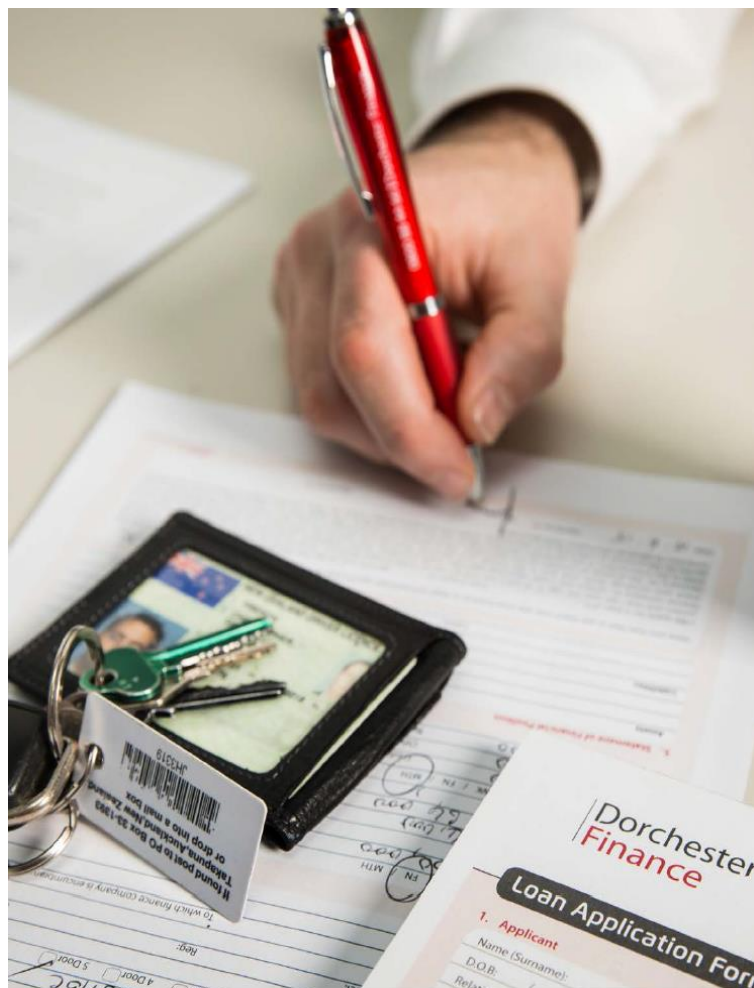
Turners Automotive and Buy Right Cars

Revenue \$192.7m, up 64% Operating Profit \$15.4m, up 54%

KEY DRIVERS:

- Increased buying opportunities for Turners Group customers through multi-channel platform (fixed price sales up 46% YoY)
- Continuing focus on retail vs wholesale customers (total end user buyers up to 65% for all car purchases)
- Corresponding increase in finance contract sales (20% increase in loans written YoY, 34% increase in MBI policies sold)
- Deliberate strategy to own more of the cars sold by Turners for higher margins and more control, (48% owned FY17 v 39% owned FY16)
- Positioned well for growth in Trucks and Machinery with footprint expansion of dedicated sites
- Buy Right Cars acquisition performing ahead of expectation
- Origination of loans has ramped up significantly since February

FINANCE



Revenue \$26.8m, up 10% **Operating Profit \$10.2m, up 4%**

KEY DRIVERS:

- Launch of AutoApp online loan origination platform, continued enhancements being developed
- Establishment of non-recourse lending product for MTF network tracking well ahead of expectation (\$16m at year end)
- Implementation of securitisation funding program with BNZ (\$150m limit)
- Still a competitive market for consumer finance (value of the origination at its highest)
- Focus on higher quality, lower margin automotive related lending
- 24% growth in finance receivables YoY

INSURANCE



Revenue \$12.3m, up 34% **Operating Profit \$0.9m, down 34%**

KEY DRIVERS:

- Gross Written Premiums for DPL insurance up 13% YoY
- General insurance claims ratios experienced in FY17 are in-line with market norms (59%), compared to lower levels in FY16 (32%)
- Autosure acquisition achieves the scale needed in Insurance
- Autosure focuses Turners' underwriting effort on core products (Mechanical breakdown insurance, Loan repayment insurance)
- 10 year partnership with Vero for underwriting motor vehicle insurance
- Insurance businesses will combine into single operating business over the next 12 months
- Strong sales of insurance products through the Turners-controlled Automotive retail businesses

DEBT MANAGEMENT



Revenue \$19.1m, up 4%

Operating Profit \$6.2m, up 3%

KEY DRIVERS:

- Business continues to perform well, remains highly cash generative
- Strong Terms of Trade product sales in the Australian market
- Focus on higher quality debt load (debt load down 5% YoY) translating into improved collections performance and commissions (debt collected up 9% YoY)
- Share of debt loaded from NZ corporate clients improving at expense of competitors
- Passed final ANZ Australia audit and awaiting instruction regarding debt load
- Focus on building analytics capability and efficiencies in contact centre eg. Dialler technology
- This result includes a release of \$1.1m from unredeemed vouchers liability (\$1.8m release in FY16).



A photograph of a car dealership interior. In the foreground, a woman in a blue and red uniform is working at a white counter with a 'Turners' logo. Behind her, several cars are parked in rows, including a red car, a silver car, and a blue car. In the background, another person is visible at a counter, and a wall with various items hanging on it. The overall scene is a busy car dealership.

OPPORTUNITIES AND OUTLOOK

WHY THE INTEGRATED MODEL WORKS



- Diversification of earnings
- Capturing both underwriting (finance and insurance) and retail commissions
- Integrated model provides insulation against market and regulatory changes
- Annuity revenue from finance and insurance means more predictable and consistent earnings
- In Turners' controlled channels, more margin per transaction is earned
- Enabling faster and higher quality development of systems (Turners has its own test platform internally)

AUTOMOTIVE
RETAIL

FINANCE AND
INSURANCE

DEBT
MANAGEMENT
SERVICES

FY18 AND BEYOND: GROWTH OPPORTUNITIES

- ASX Foreign-Exempt Listing underway
- Further retail business acquisitions are expected as Turners looks to grow its share of the second hand vehicle market
- Expand Trucks and Machinery network through extension of physical footprint of specialist sites
- Develop bundled approach to finance and insurance
- Integrate the Autosure business into the group and commence commercial operations
- Combine finance entities into single operating business and brand
- Build on existing capability to offer servicing and maintenance

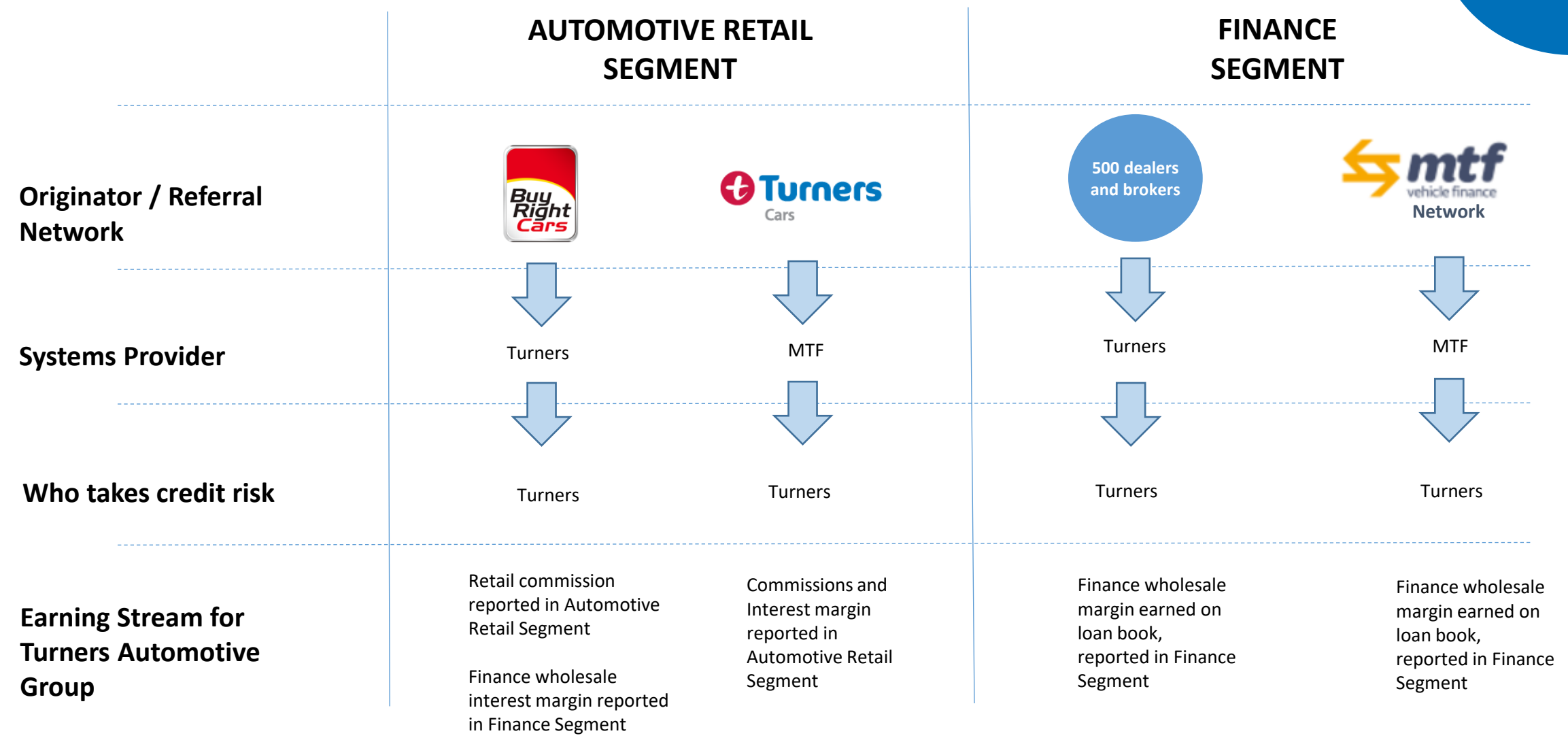
FY18 Guidance

- Full year contribution from Buy Right Cars and Autosure
- Analysts range for FY18 NPBT is \$29M (Deutsche) to \$32M (Credit Suisse)

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TURNERS - MULTI CHANNEL FINANCE BUSINESS



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

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