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MTF Finance reports half year profit of \$4.3 million

The first half of the 2022 financial year has been promising, as New Zealand learns to live with COVID-19 and adapt its strategy to the pandemic from one of elimination, to minimisation and protection. Our business is no different with COVID-19 now forming part of our business as usual approach. The disruption caused by lockdowns creating sales volatility is not currently a threat, although further strains are possible that may unpredictably impact business, and the current economic climate with cost escalations and logistical delays, is creating pressures on the business.

New loans for the period of \$297m is the second best in our history. This growth in sales is pleasing as it comes at a time when credit demand is contracting. Our market share has seen positive gains in the first half of the year since the CCCFA came into force, as other finance companies have struggled to a greater degree to implement timely compliance changes.

The first half of the year saw the pilot and/or launch of new products with the aim of providing Franchises with additional unsecured product and rejuvenating the declining dealer market. Coupled with the start of core technology investment and the build of a new personal loan product, operational spend has increased as signalled. This has impacted the profit after tax, slightly decreasing by 2.5%, to \$4.3m from the same period last year. This short-term impact was planned for as part of the longer-term transformation of the business commenced by the Board last year.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance, decreased by 28.0% to \$2.87m (31 March 2021: \$3.98m, 30 September 2021: \$7.45m).

As mentioned, this drop in profit is in line with expectations and earlier signalling to shareholders as MTF Finance continues to reinvest to deliver on our strategic intent. We will continue to invest in our brand, product development and the addressing of legacy technology systems in the medium term, ensuring the company is well set up for the future to deliver on growth targets to ultimately provide increased and sustained returns to our shareholders.

Total amounts paid to shareholder originators, including commission, fees and payment waiver, decreased 3.9% to \$34.7m. Commission paid to shareholder originators has decreased 1.1% to \$22.2m for the reasons mentioned earlier.

Expenses have increased 25.2% primarily due to the factors mentioned earlier aligning to the business's strategy and reinvestment in itself to deliver on future growth. The year-on-year increase is inflated due to the business taking proactive measures to reduce business spend in prior periods to get through the initial shock COVID-19 sent through the economy, with pre-pandemic increase representing 12.7%. The pandemic did not strain our business in the manner originally provided for and timing is right for us to progress our strategic intent, while remaining cognisant of our shareholder originators need for cashflow certainty.

We have set some bold goals and the team have laid a great platform from which to achieve these. It is an exciting time for MTF Finance as we continue to push into new channels and look to generate improved returns for all our stakeholders, and ultimately become New Zealand's preferred finance company.

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