

TURNERS AUTOMOTIVE GROUP LIMITED ANNUAL MEETING

23 SEPTEMBER 2020

1. Welcome

Welcome and thank you for joining us for the 2020 annual meeting of shareholders of Turners Automotive Group.

My name is Grant Baker and I am the Chairman of Turners.

The Notice of Meeting and 2020 Annual Report and financial statements have been circulated and made available to shareholders. A quorum is present and I therefore declare the meeting open.

I don't think anyone needs me to tell them we are operating in unprecedented times. This meeting being online is a reflection of that. Nonetheless, this is an exciting time for the business as we are so well positioned for uncertain times, and we'll come to this in more detail as we go through our meeting.

Before we do that, I need to run through some housekeeping items. Today that isn't about emergency exits and toilet locations. It is to explain how our online meeting process works. We hope you will participate today using these systems, and we hope it's not too long before we can again meet in person. Thank you for your patience and adaptability.

Today's meeting is being held online via the Lumi platform. This allows Shareholders, Proxies and Guests to attend the meeting virtually, watch the live webcast and ask questions and submit votes.

2. Online attendees – question process

To ask a question look for a speech bubble icon, as shown towards the middle of the slide. Click on that and it will open a new screen. At the bottom of that screen there is a section for you to type your question. Once you have finished typing please hit the arrow symbol to send.

Please note that while you can submit questions from now on, we won't address them until the relevant time in the meeting. Please also note that your questions may be moderated if we receive multiple questions on one topic. Finally, due to time constraints we may run out of time to answer all your questions. If this happens, we will answer them in due course via email or posting responses on our website. Accordingly, I encourage you to get in early, to ensure that your question gets answered at the end.

3. Online attendees – voting process

Voting today will be conducted by way of a poll on all items of business. In order to provide you with enough time to vote, I will also shortly open voting for all resolutions.

At that time, if you are eligible to vote at this meeting, a new polling icon will appear. Selecting this icon will bring up a list of resolutions and present you with voting options. To cast your vote simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded.

You do however have the ability to change your vote, up until the time I declare voting closed.

I now declare voting open on all items of business. The polling icon will soon appear, please submit your votes at any time. I will give you a warning before I move to close voting near the end of the meeting.

Please note that when we return to that section of the meeting, I'll go over this again for those wishing to vote.

4. Board of Directors

I would like to introduce my fellow directors, who are with me on this online meeting - Paul Byrnes our deputy chair, Matthew Harrison, Alistair Petrie, John Roberts, Antony Vriens and Martin Berry.

It has been a busy and challenging period for your Board, and may I thank all of our Directors for their contribution this year, and for all their hard work to position our business for the future. This company is fortunate to have a Board comprising directors who are very hands-on and entrepreneurial on behalf of the business and who go the extra mile beyond formal matters to support and guide where needed, and most importantly to create value.

Also with us in today's meeting are Todd Hunter, our CEO, and Aaron Saunders, the company's CFO. Following my Chairman's presentation, I will ask Todd to give us an overview of the operation of the business and provide his perspective.

There are a number of our senior managers and staff on the platform today as well. Welcome to you all.

Also in attendance today are the company's auditors, Baker Tilley Staples Rodway, legal advisors Chapman Tripp and other advisors. Thank you to all these firms that provide valuable services to Turners.

5. Agenda

Today you will hear presentations from myself and Todd on our strategic direction, the opportunities available to us and our progress towards achieving our goals.

Todd will also update us on our digital strategy and innovation.

Following the presentations, there will be an opportunity for discussion and any questions you may have.

We will answer questions on the resolutions at the time the resolutions are proposed. In addition, there will be a further opportunity at the end of the meeting for you to ask any other general questions about the company and our operations.

6. Chairman's address

Let me now give you a perspective on the year just gone and where we stand as a company. Obviously 2020 has been a year of challenges for our nation, and we continue to operate in conditions of great uncertainty and volatility.

However, as the saying goes – never waste a crisis. We haven't and we certainly aren't passively sitting back. While we have to be aware of risk, we also see significant opportunity. The COVID-19 global pandemic, and its impact on New Zealand, has had the effect of stress-testing a lot of our thinking and planning, and has revealed some features of our business which are actually pretty exciting for your Board and for our shareholders and stakeholders.

7. Building quality

My observations can be divided into two areas:

First, I'll reflect on the Turners Group and where we're at as a company.

Secondly, I'll talk to you about our resilience and the fact that we're making progress building an even more robust business in these uncertain times.

So first, let me take stock of where we are as a business, and why we have some significant advantages in terms of both the business sectors in which we operate, the market conditions we face, and the skills and experience we have in the business.

In the year under review, we've made further progress in our mission to continue building a business of real quality.

There are three components to this:

- 1) Firstly, we're leveraging a position of Trust in sectors where low trust is often prevalent. Our high-trust brands, particularly in the used-car market, and related services, give us a strong advantage. We're continuing to build trust among all our stakeholders, including you our shareholders, and our debt holders, as well as our customers to achieve leading positions in all our market segments.
- 2) Secondly, by operating a diversified business and driving performance in each part of the business, we've created a robust, resilient business model with managed risk and attractive earnings and dividends over the long run. We have significant diversification in both geography and business type, which has served us well in 2020. We have the third-highest dividend yield

on the NZX and we realise that investors have become even more focussed this year on sustainable yield. And we continue to strengthen our business model to improve this resilience, whilst targeting future opportunities.

- 3) Finally, we're building on our economies of scale to win in the digital space, because we know this is key to future success. This is a key competitive advantage that we can expand on, or as some would say, one of our moats. This is certainly something that COVID has reinforced – if you can't offer a customer experience centred on a digital or virtual experience, then you are vulnerable. We pivoted strongly in this direction several years ago, and for example we have almost doubled our annual technology investment over the last three years.

8. Transformed business

I've updated this slide from last year to underscore our focus on performance and delivery over the long term, and to show how we are building up sustainable earnings and dividend growth.

The business has changed a lot over the past decade and particularly in the last five years, and as I outlined last year the bringing together of Dorchester and Turners has enabled us to create this diverse and complementary business group.

We continue to be somewhat frustrated that the underlying strength and potential of the business isn't yet fully reflected in our share price. However, we're not losing sleep over this. We can't control or set the market price. What we can control is our business strategy and planning and executing to plan to continue to build profitability and thus dividends for our shareholders.

9. Robust improvement in earnings and dividends

We wanted to aggregate this into three year periods to take out some of the noise from year to year and show you the underlying trend. This is how I tend to look at things, on a multi-year view. And the results for Turners speak for themselves.

We reintroduced dividends for our shareholders in FY14 and gross dividend yield for the past year has been around 10%. In FY20 we announced a total dividend of 14 cents per share, fully imputed, which we see as a very reasonable outcome, given all the uncertainties and a number of companies suspending dividends.

As dividend per share shows, we have succeeded in rebuilding the business earlier this decade, and we have now created a stable and growing dividend stream. This is also reflected in our confidence to recently expand our dividend policy to between 60 to 70% of NPAT.

10. What is our ambition for Turners?

Having built a robust, diversified business platform, we are now in a position to execute against ambitious targets.

We want nothing short of “being New Zealand’s best place to buy and sell vehicles with continually high customer satisfaction”.

Our Group today is very different from the business we invested in 10 years ago...and also very different from the original Turners Auctions business which sold its first car at auction in 1967.

We are New Zealand’s leading used vehicle retailer and the Turners brand is highly trusted. We have 37 sites from Whangarei to Invercargill, and on average we sell a car every 6 minutes.

Increasingly, we can be a one-stop shop for customers interested in buying or selling vehicles through the complementary business units we have in finance and insurance.

11. The rationale for the group’s structure now proven

This diversified Group structure is proving itself more than ever in the conditions we now face.

Our Strategic Review of Oxford last year and subsequent testing of the market for both Oxford and EC Credit showed us that the value of these assets is maximised within our current structure.

That value has been further demonstrated as we navigated a market disrupted by COVID. Our annuity businesses like insurance, finance and credit have underpinned fluctuations in the auto market which is not immune to economic cycles.

However, although the used vehicle market is subject to economic cycles, it’s worth noting that, compared to many other retail categories, it is relatively stable, and resilient. A considerable amount of used car sales is a structural feature of the economy and household expenditure, and as we’ve said many times, NZ’s old fleet drives ongoing churn. Indeed, some drivers of activity are amplified in tougher economic times as people look to buy used rather than new cars - or look to downsize what they have tied up in their vehicle.

12. Benefit of Auto retail business became clearer in COVID

The next few slides summarise just how the benefits of our Group structure became evident during COVID.

This is what I mean by a real life stress test of what our Strategic Review was already telling us.

Firstly, Auto retail. Although COVID impacted consumer confidence and retail in general, we discovered that the resilience of the used vehicle market was real as customers continued to dispose of and renew vehicles either for personal or fleet use, even throughout levels 4, 3 and 2.

Our geographical diversification of recent years, as well as our high-trust brand in this sector both proved their worth.

We are building a significant holding in property that is used within the Auto retail sector as well.

13. Benefit of Finance business became clearer in COVID

The value of our finance operation was also underscored during COVID.

In particular, the work that we have done over the last couple of years to improve the quality of the loan book, meant that so far during this crisis we've seen very good performance for arrears. Indeed, as you'll see later, we've actually approached record lows for arrears over recent weeks.

And as mentioned, the benefits of a business with annuity earnings at a time of volatility came even more clearly into focus.

14. Benefit of Insurance business became clearer in COVID

The strength of our insurance offer was another feature of this period.

We have a strong brand, and have improved our distribution with even further opportunities in the future through digital technology.

Again, the annuity earnings from insurance renewals were very valuable during lockdown, with recurring premiums paid up front, locking in earnings for the period.

15. Benefit of Credit business became clearer in COVID

We had already identified our credit management business as an area of opportunity and COVID has further reinforced this.

Credit management, aside from being complementary to our other services, tends to be counter-cyclical and therefore a good defensive business in any economic downturns.

We have a strong relationship with our debt loaders and this is also a part of the business that can benefit from our Digital strategy, we have already seen significant improvement in collections from improvements we've made to our online offering.

16. Resilient and well placed for an uncertain environment

What all of this showed us, during what are unprecedented times, is that we have built a resilient business group that is robust even in difficult market circumstances.

Now turning to what underpins this resilience.

The used car market itself, although not immune to economic cycles, is resilient with around one-quarter of the cars in NZ turning over each year, and hundreds of thousands of cars needing to be replaced in the coming years.

We now have a diversified business. As I noted earlier, COVID showed how important this was with our annuity earnings balancing short term interruptions in vehicle sales due to COVID levels. This reduces risk, and also provides stability in terms of earnings and dividends.

We have high-trust brands. In an industry where trust can be found wanting, Turners is a standout brand. This matters to consumers – and particularly in times of uncertainty.

We've embraced the Digital journey, and COVID underscored just how important this is. It's already a competitive advantage. And there is lots more we can do in the future to drive that advantage home.

We have a strong and sustainable yield and finally, we are fortunate to be led by an experienced management team and an experienced Board of Directors.

17. Market – The used car market is resilient and robust

With around four million cars registered on NZ roads, around 25% of these turn over each year – that's around a million vehicles that change hands each year.

NZ also has an ageing fleet of cars. Around a million cars are more than 20 years old, and the scrapping age is dropping due to the cost of repairs and tougher warrants. This means hundreds of thousands of vehicles will need replacing in the coming years, providing a steady structural underpinning for demand.

In an economic downturn, consumers often release capital from a vehicle – often Kiwis second-biggest investment after their home – by trading down. On the flip side, we've also seen in recent months, with overseas travel foregone due to COVID, some Kiwis are also upgrading to new cars and to luxury cars if they have the spending power.

Basically, a change of circumstances often results in a change of cars, and hence dynamic times can support transaction volumes for used cars. We don't mind whether people are trading up or down, as long as they're trading. And a lot of the used car market is structural and needs-based with buying and selling of cars happening throughout the cycle.

18. Geographic diversification

An important feature of our diversity is our geographic reach.

In an industry of traditionally small, local players, lacking long-term, substantial brands, we have a real opportunity to establish a strong, national footprint that lets our trusted brands win market share. We benefit from economies of scale in many ways, including marketing, supply chain, and funding.

Our 37 sites nationwide mean we can optimise inventory. And it means we have flexibility in the event of future regional lockdowns.

19. Business diversification

I've talked about our proven Group structure.

It provides a purposefully diversified business, as this slide shows. As you can see compared to 2017, we now have a better spread of earnings from a range of businesses.

There's still lots of opportunity in auto retail. And we have stable annuity revenues from finance and insurance. Credit management provides a counter-cyclical dimension.

This reflects the very deliberate strategy we have been working towards and provides a strong and lower risk platform from which to pursue future growth.

20. Brand – leverage the high trust Turners brand

The quality of our brands, and the trust these brands enjoy among consumers, is one of the most important factors in our resilience.

Turners is consistently NZ's leading auto retail brand and was New Zealand's most trusted used car dealer in the 2020 Readers Digest Trusted Brand Award.

The fact we sold 600 vehicles during the level 4 and 3 lockdown using 100% online sales demonstrates this trust. This ability to sell uninspected vehicles online at scale offers enormous opportunity.

In times of uncertainty, when consumer spending is under pressure, occupying a trusted position in our business spaces is vitally important, and offers significant competitive advantage. Especially as we advance into the Digital space.

21. Digital advantage

Todd will talk more about this later but I wanted to quickly commend the team on its progress this year towards further advancing our digital advantage.

We've continued to invest in the infrastructure required to deliver an excellent customer experience in the digital and online environments. We are completely outperforming our competitors in this area, and more importantly delivering tangible business outcomes.

As well as being able to provide existing services in this new environment, we've also been able to expand our offerings, as shown by the launches of both BuySafe and Turners Car Subscription during this time.

A future focus is optimising our digital marketing and also increasing value from our assets by better understanding customer data as well as vehicle and technical data.

We are moving very quickly and effectively in this space. Our team has achieved a rapid delivery of systems to react to revenue opportunities, competitor activity, regulation changes, and innovation.

Examples include CashNow, developed in just over 3 months, on budget, Turners Live with Automated Auctions for DVA, developed in just over 3 months, on budget and extending AutoApp Direct, a new direct lending platform, to offer white labelling for partners.

We've also introduced lots of process automation right across the business to improve productivity, reduce cost and better-manage risk.

22. Attractive + defensive dividend yield

Our resilience is also reflected in our sustainable dividend stream, reflecting our stable underlying business model and strong earnings.

We thank you for your patience and understanding when we deferred our Q3 dividend due to the Level 4 lockdown, and we were pleased to then be able to announce a final 6.0 cps dividend, which in the circumstances we regard as very reasonable.

Subject to underlying business performance, we intend to maintain our current dividend policy – 60% to 70% of NPAT – in the year ahead.

We're pleased with our progress to build a stable, sustainable business that offers reliable earnings and dividends into the future.

23. "Through the cycle" experience

Clearly COVID marks the beginning of a new, more challenging business environment.

However, our Group has the benefit of leadership that has managed these business units through the GFC, so business disruption and tougher economic environments aren't new to us.

In fact, we continue to see opportunity given that our competitors will also be under stress, and whenever there is a shakeout in markets there is opportunity for the top performers.

Be assured your Board remains extremely vigilant with respect to risks and challenges facing the business, as well as areas of opportunity. This was born out during the most challenging weeks of this year, when your Board met regularly, and kept in constant communication with our executive team. During this time, our executives went out of their way to make themselves available to both debt and equity holders. In times of challenge, we see it as even more important to front up.

Finally, the fact that Board and management collectively hold around 30% of shares in the company means there is a high degree of alignment with shareholder interests.

24. Building a quality business

In closing may I thank shareholders for your ongoing support of and interest in the company.

We are well-advanced in building a high-quality business with reliable and diversified earnings, capable of success through the cycle.

The quality of our brands, and our ability to earn and maintain consumer trust, is a key asset.

Our diversified business model, including annuity earnings from finance and insurance, as well as ongoing demand for used car sales as NZ's fleet ages and is renewed, provides risk optimisation and robust earnings.

And our rapid move to Digital right across the business both future-proofs our operations as well as offering new, innovative opportunities.

While it has been a challenging year, and while we will continue to face challenges in the coming months and years, what is heartening is that the stress-test of COVID demonstrated we are on the right track in terms of strengthening and diversifying our business for the future.

I would now like to invite our CEO Todd Hunter to review operations and strategy for each business unit in more detail.

25. CEO's Update

Thank you Grant, and may I start by thanking the Board and all the Directors, on behalf of my team, for their support and guidance through this exceptional year for the Company.

And on behalf of the wider Turners team, thank you to you all for being with us today, and for continuing to support the Company.

As Grant has highlighted, although we are in challenging times, there have been a number of silver linings from the cloud of COVID for our Company – including the stress-testing of our strategy, and the opportunities that arise in a disrupted market, particularly as we assert our leadership in the Digital and Data space.

Today I'm going to spend a small amount of time looking back on the FY20 year, and then get to an update on FY21 year to date by business unit.

My focus is on Year To Date as I know most of you will have looked at our FY20 Results, and will be more interested in how we're tracking since April.

After my Company Review, I'll then speak a bit more about some of our Digital initiatives before handing back to Grant for the formal business of the meeting.

26. FY20 Results snapshot

Firstly, on FY20 results, we had a solid year and importantly, we delivered in line within guidance. No one had any time to rest on any laurels at the end of the financial year in March as by then we were in Level 4 lockdown, and our new year began like no other we can remember.

This slide summarises our results which I am sure many of you will have already gone through. So, I won't dwell here for long.

Our ability to deliver an underlying NPBT of \$28.8 million – up 11% on the previous year – and to maintain Revenue at \$333m, despite COVID starting to impact the last couple of months in

February and particularly March, underscores the solid track the Company has been on. We have built up a valuable, resilient, diversified business over recent years, as Grant has already outlined.

27. FY20 Results overview

- 1) In Auto retail, we continued a two-pronged strategy of optimising our network of sites, and enhancing our digital presence, which led to gains in market share, offsetting a softening used car market.
- 2) The Finance business had an excellent year. This reflects our increasing focus on lending to higher quality borrowers. We continue to improve our reporting and data analytics in finance and accordingly, have never had more transparency and control over risk and pricing.
- 3) Similarly, our Insurance business continued improvements in risk pricing and reduction in claims loss ratios. Again this was enhanced by new software system, in addition to procurement initiatives. Distribution partnership have also been crucial in the improved performance.
- 4) Our credit management business was largely flat year on year, with a small decrease in debt load offset by improved collections. Credit continues to benefit from integrations into other platforms, most notably Xero and MYOB.

The lessons from FY20 are that our combination of annuity earnings and activity-based sales businesses does indeed provide resilience, as shown during an unexpected and thorough stress test. Also, our willingness to both act quickly to improve flexibility on costs and overheads, as well as de-risking the finance and insurance businesses pays dividends – quite literally!

However, these financial initiatives were carefully balanced versus the need to take care of our team. Our recent employee engagement scores give me a sense of pride personally and of our leadership, that we did the right thing by our wider team during a stressful time for all. I'll add further that's its times like this you realise the mettle, pragmatism and capability of all of your team and I can assure you we are very well placed going forward with the talent within the business. Thank you to all our staff for getting through what is a tough year on the personal front, whilst continuing their professionalism at work. It has been an unbelievable effort from them.

Many of the changes we worked through in FY20 have proved vital in dealing with lockdown and our post-lockdown rebuild. Our strategy has put us in as good a place as we could be, although there is still more to do – particularly in the Digital and Data journey.

28. Our approach to lockdown...

During the year, we discovered the resilience of our business as never before. This required us to do three things:

1. We had to REACT. We focused on the safety of staff and customers, rapidly establishing work from home arrangements and immediately worked on cost reduction plans. We also kept a tight watch on performance, establishing daily reporting on critical KPIs.
2. At the same time, we had to RETHINK. We worked closely with funders and other partners and suppliers. We focused on the customer experience, 100% online being the goal wherever we

could and contactless delivery. We quickly looked at our cost base and pulled the levers early to position ourselves for a tougher environment.

3. By reacting and rethinking we were able to REBUILD. We have more disciplined cost control right across the business, we have accelerated our digital transformation and we are moving to seize the opportunity to build market share in all our businesses, despite the uncertain times. We have our “eyes on the prize” and our heads up for the opportunities that will inevitably present themselves in disruptive and uncertain times.

29. FY21 Update

That’s all I’m going to say about our FY20 results, although there will be time for questions if you do have any on the results, and as Grant mentioned, you are able to ask those at any time via the Lumi platform.

In the meantime, the whole world changed in March and I know your focus, like ours, is now on how the business is faring in this dynamic environment.

As we enter Q2 of this year, we see Auto Retail back to being fully operational with sales stronger than expected, and with our finance, insurance and credit businesses all performing well with strong prospects.

Back in early April, we modelled a range of different scenarios for the business. Obviously, given the uncertainty of the time, the range was very wide. However, due to better than expected economic conditions, coupled with the business pragmatically “controlling what it could control”, we are pleased to report that the business has recovered much faster than our “best case” scenario planning suggested back in April.

Before talking in a bit more detail about each business unit, here is an overview of how we’re tracking year to date.

The graph shows the picture pretty dramatically, charting the Group’s Profit before Tax by month YTD.

From our lows in April, we have, however, recovered quickly and strongly:

- In Auto retail, we are back to being fully operational with sales stronger than expected. Meanwhile, car margins have bounced back strongly due to supply constraints.
- In Finance, we are seeing credit quality improve further with our tightened credit policy, and both new lending strong and arrears are performing well.
- Our Insurance business is seeing new policy sales recovering, and claims tracking below expectations.

- Our Credit Management business is well-positioned as SME debt load builds, with larger corporates being cautious about debtor actions.

30. Auto Retail

I'll look now at the business units in a bit more detail, starting with Auto Retail.

We've seen a strong recovery since our April low point.

COVID had a temporary impact, before a strong rebound in June and July.

But, naturally August sales were impacted again by the second lockdown, particularly in Auckland. However, we were much better positioned than some of our competitors, given our national footprint, and we were able to move inventory around as required.

Finally, vehicle margins have been strong. This is a combination of that better demand, coupled with supply constraints. The lack of availability of Japanese imports, a function of both Japanese domestic supply constraints coupled with the structural change due to new ESC restrictions that impacts the \$8k budget segment. This has now been compounded by supply chain challenges in new cars as well.

31. We continue to optimise our network

For Auto Retail, a key focus this year is to optimise our network rather than focus just on pure expansion.

After a strong period of growth, the New Zealand used vehicle market has plateaued. The number of registered dealers continues to decline from a peak in 2017. Our strength is that around half of our stock is sourced locally (vs imports) for which margins are stronger. The challenge is to win market share even in a flat or declining market where even more pressure will be on smaller dealers, and we're confident we can continue to do this. As a reminder, GFC saw a 15% decline in number of dealers.

In regard to new sites we intend to be choosy – it's about finding the right sites at the right price. We have a clear view of what works for us after several years of experimentation and we know that our sweet spot is around 10,000m². This is one of the reasons to exit the flagship Penrose site, which is no longer optimal for the new omni-channel world of car sales. As we do this, though, there's significant opportunity to improve returns. We are also building up a significant property portfolio which over time will deliver further capital growth.

Our new Dunedin operation, which opened in May 2020, is a good example of our strategy in action. Retail units are up 34% August YTD and gross profit per unit is up 43%. Our team have been well lead through the move and embraced the new branch and the increase in customers coming in.

32. Finance

In Finance we're building a strong challenger brand in auto finance, and post lockdown lending has been very strong. The quality of our lending continues to increase with Premium (best quality) Risk business now accounting for more than 50% of our new business each month.

Our Digital and Data push is also evident here with our data-driven risk pricing and 100% digital loan process bringing benefits.

Another feature of the period was our working hard with customers also in hardship from lockdown. An initial cohort of around 7% of customers were processed for hardship applications (payment holidays or reduced payment) during Level 4. We currently have fewer than 1% of our customer base in hardship.

33. Credit scores improving; arrears declining

As you can clearly see in the left-hand chart, we have undergone a concerted effort to improve the quality of our loan book. That is the lever that we have deliberately engineered and are now reaping the benefits of. As a result, you can now see on the right-hand side, arrears are at all-time lows over recent months. This is despite an environment of substantial economic uncertainty.

However, we are always prudent you may recall we booked additional provisioning of \$1m at year end to allow for the impact of an increase in unemployment rates.

34. Insurance

Insurance sales rebounded strongly post lockdown, in line with better than expected car sales.

Our claims loss ratio continues to improve – a combination of better underwriting, new risk pricing and of course less driving meaning less mechanical issues during lockdown.

Here we have a strong focus on digital distribution. For example, we recently directly integrated into Marac Finance's dealer application system, and MotorCentral's dealer management system.

Our new portfolio management system is providing greater agility in product and pricing, and improved discipline for cost and claims management. This optimisation approach is similar to the benefits that we are realising in the Finance business.

We have increased the regularity of claims payments to support workshop partners and this is important for partner relationships.

Pleasingly, our improved systems and better cost performance, as well as sales rebound means our year to date profit is significantly ahead of where we were at by August 2019.

35. Credit management

In terms of credit management, we know there are emerging opportunities even though corporate debt recovery remains subdued.

Nobody wants to be seen as the bad guy right now. However, as we get further into the cycle and bad debts increase, we anticipate increased activity. Non performing debt is expected to build, which ECCC is well-placed to respond to. We expect this will happen early in 2021.

Lockdown has been a good reminder of the value of annuity payments component of this business which has held up well.

We continue to become more cost efficient using Digital process, including Xero/MYOB integration and building digital self-service channels for debtors.

36. Our focus for FY21

Let me summarise our focus of FY21 by business unit:

- In Auto we'll focus on retail optimisation while continuing to build the turners brand on and offline.
- In Finance we'll continue to get more efficient and cost effective through data-driven risk pricing and moving further towards a 100% digital loan process and customer experience.
- In Insurance we'll strengthen our sales integration and distribution partnerships.
- In Credit we'll work closely with corporates to manage reputational risk as the non-performing debt continues to build and ECCC comes into its own.

Overall, we'll continue to focus on looking after our team, better-managing inventory levels and continuing our journey into the Digital and Data space, to which I'll now turn.

37. Digital and Data

As Director Martin Berry outlined at last year's AGM, technology presents a massive opportunity for the Turners Group whether it be in digitising key operational and back-end processes or in unlocking the huge potential in our data assets to better understand and manage our customers.

With thanks to the team's strong focus and our investment in these areas over the last 12 months, we were well positioned to deal with the uncertainty that COVID threw upon us, when many of our competitors and even new car dealers were not.

I wanted to update you on this, as this remains a core focus. This year, I'd like to give you some tangible examples of what our team has already achieved in the digital space, and the business outcomes that translates to.

38. Example #1 – Rapid deployment of BuySafe

Our first example of digital innovation is BUYSAFE. We're in a position in our Auto business to take advantage of our digital advantage in ways many of our competitors cannot.

As a team we continue to work hard on building consumer trust and strengthening our overall value proposition to enable customers to buy with confidence. In what has been a huge litmus test for our readiness as a company to embrace what will one-day become a digital first strategy, Turners was able to rapidly roll-out its 100% online buying process in the first week of L4 lockdown. Without our team's efforts to build for the future, this would not have been possible.

It includes a 5-day money back guarantee developed in consultation with vendors that now applies to all retail vehicles sold to consumers, creating another point of difference in the market for Turners.

Consultants are trained to provide virtual inspections of vehicles. Customers can purchase online and then obtain the vehicle via Contactless handover at branch or at home.

We had a really good example of this in Whangarei with a doctor who needed a second vehicle for his family as he was required to travel to Auckland ... all transacted online with a contactless handover at the branch.

We used this during April 2020, and it achieved 20% market share that month. Since then, most people have reverted to more traditional modes of purchasing, but it remains another option for people and a proven solution if we do have further lockdowns.

39. Example #2 Data – Fleet profitability tool

Our second example of digital innovation is how we use Data to optimise pricing for cars we are purchasing. This objective being to improve margins in the Auto business.

In FY20 we sold nearly 15,000 cars we had purchased locally, of which just under 26% were sold at a loss. We lost money on 1 in 4 cars and this loss equated to just under \$3m.

A proof of concept has been developed using cloud-based AI and machine learning technology to build a Vehicle Profitability Prediction model.

Using historical sales data, we have been able to build a model and predict the likelihood that a car will make a profit at the price the Turners Buyer is considering paying.

The model is now being developed for production and will be implemented into the pricing tool our car buyers use early 2021. If the probability prediction is low, it will warn the consultant, via the CashNow app as a traffic light system, and provide a profitable price range. The red lighted cars would need to be approved by a more senior buyer before we progressed the offer.

Our target is to be able to reduce total loss cars to below 20%, thus with the potential to save hundreds of thousands of dollars. We continue to work on another data and tech initiatives to hone and improve our buying which is a critical discipline in the business.

40. Example #3 Digital – Customer data platform – Business case

Our third example of digital innovation is our customer data platform. We can also use Data to better-understand our customers, and improve our service and communication with them.

Most of the 100,000 people who visit turners.co.nz each month remain anonymous. Around 10-12% would fill in some kind of application for finance, booking a test drive or booking a valuation for their car. The rest around 90% we don't really understand whether these customers are coming to Turners to buy, sell or trade in, and what their needs are.

By implementing a customer data platform, we can deploy marketing automation, which means we can communicate faster and in a more relevant way with our customers. This will improve conversion rates and improve customer satisfaction by delivering customers what they need. At the same time, we expect to significantly reduce customer acquisition and retention costs.

We expect the results to be a big step towards being able to create a true omni-channel experience for the customer, leading to improved customer experience, improved lead generation and conversion, and improved customer lifecycle engagement.

This a substantial opportunity to grow our business and reduce cost.

The example on the slide are those people that do not book a time for a vehicle valuation will get an email inviting them to book or to call our contact centre 1 day later. This is all automated.

41. Example #4 Digital – 100% online loan sign up process

The fourth example is our 100% online loan sign up process. Another strong example of our efforts to digitalise our processes and provide a better customer experience are in our loan origination process that we launched in July. It is now possible to complete all the paperwork remotely which previously has been very challenging.

Impressively, since launching in late July we have seen 40% of loans using this service. This demonstrates the utility of this solution and naturally, we've had excellent feedback from users and originators.

42. Turners Subscription

Our final example of digital innovation is Turners Subscription. This is our monthly car subscription that customers can start or stop to suit their lifestyle.

Showing our commitment to build for the long-term and embrace potential risks and opportunities for our business, we are very pleased to be launching Turners subscription service. Personally I am very proud of this one as it shows how future focused we are as a group, even through challenging times and that we are willing to be an early mover on embracing potential changes to consumer behaviour.

It's going to be interesting to see the uptake of Subscription during a time of massive upheaval for NZ, as the product is well suited to customers who are undergoing change. We believe this can be a helpful product to navigate short to medium term arrangements for transport, and particularly if people may want to temporarily switch out of using public transport.

As you may recall, this is a white label product, and we have a 10% stake in Collaborate, the technology provider. This is an example of our willingness, where suitable, to use a partnership strategy and to embrace a disruptor position to generate innovation.

I hope that provides an overview of our Digital and Data journey which is producing really exciting opportunities for our business. Again, we see this as a key point of competitive advantage and given the fragmented nature of the Auto Retail industry in particular, an area in which our competitors struggle to keep up. We are determined to extend our advantage this year, when others are cutting back, and accordingly our digital budget was ring-fenced and protected when we went through the cost rationalisation exercise earlier in the year. Let me now turn to the Outlook for the year ahead.

43. Outlook

44. FY21 outlook

It has been an extremely challenging start to the year.

But after the lows of April and May, the business has responded strongly and rebounded well. As everyone is aware there is still uncertainty about the environment but there are some signs that the downturn in the domestic economy hasn't been as bad as first feared, and in this regard we are fortunate that our exposure is to the domestic market rather than international tourism or other markets.

We are yet to see the full effects of the economic slowdown flow through, however the business has momentum and this is providing some optimism about H2.

We are targeting FY21 NPBT to be in the range of \$28m to \$31m. Please note this is conditional upon no further substantive lockdowns occurring before year end. The indicative full year dividend at this level of net profit before tax would be a fully imputed 17.0 cps based on the current policy.

Directors have declared a Q1 dividend of 4.0 cps, which will be payable in late October. This is a good reminder that our dividends are paid quarterly.

What is also clear is that there is enormous opportunity for our business during this time of disruption and uncertainty. We will continue to invest in building out our competitive advantage in all parts of our business and in helping to deliver a quality business for customers and shareholders.

I would like to thank our team right around NZ and in Australia for their support and commitment. I feel very proud to be part of such a passionate and dedicated group of people. Thank you for your attention, and I'll now hand back to our Chairman to continue with the business of the meeting.

45. Shareholder Discussion

I will be checking with the question moderator if there are any questions on the resolutions as we come to them.

In the meantime, are there any questions on the presentation or results?

OK with that I will move onto the formal part of the meeting.

46. Online attendees – Voting process

A quick reminder again about the online voting process. As we move through these resolutions, if you are eligible to vote at this meeting, a new polling icon will appear. You can see the icon near the middle of my slide. Selecting this icon will bring up a list of resolutions and present you with voting options. To cast your vote simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded.

Please submit your votes at any time. I will give you a warning before I move to close voting.

47. Resolutions

I would now like to move to the resolutions before the meeting. These were notified in the Notice of Meeting and explanatory notes have been provided.

Only shareholders, proxy holders or corporate representatives of a shareholder may vote on today's resolutions.

There are three Resolutions before the meeting today:

RESOLUTION 1: That Baker Tilly Staples Rodway be reappointed as auditors of the Company and that the Directors be authorised to fix the auditor's remuneration.

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.

If you have any questions in regard to the resolutions, please send them now. In the meantime, I will invite John Roberts and Matt Harrison to speak to the meeting in support of their re-election.

Let's start with John and then move to Matt. Thank you John and Matt.

48. Voting

Moving onto the proxy votes. Many shareholders, who are not attending this meeting have voted by proxy.

I wish to advise that proxies have been received for 32,491,209 shares being 38.0% of total shares on issue.

Ladies and gentlemen that concludes our discussion on the items of business.

In a couple of minutes, I will close the voting system. Please ensure that you have cast your vote on all resolutions. I will now pause to allow you time to finalise those votes.

In the meantime, let me check if there are any final questions that we can deal with while we are waiting for the final minutes of voting.

Voting is now closed.

The results of these votes will be released to the stock exchange later today.

49. Other Business & Close of Meeting

That brings the formal part of the meeting to a close.

I therefore call the 2020 annual meeting of shareholders closed.

Thank you all for your attendance today.

Thank you again for your patience in participating in an online meeting.

I hope it is not too long before we can once again meet face-to-face and share some refreshments.

In the meantime, we will continue to work hard to ensure your Company continues to grow and develop its potential.

Good afternoon to you all.

ENDS