TURNERS LIMITED ANNUAL MEETING

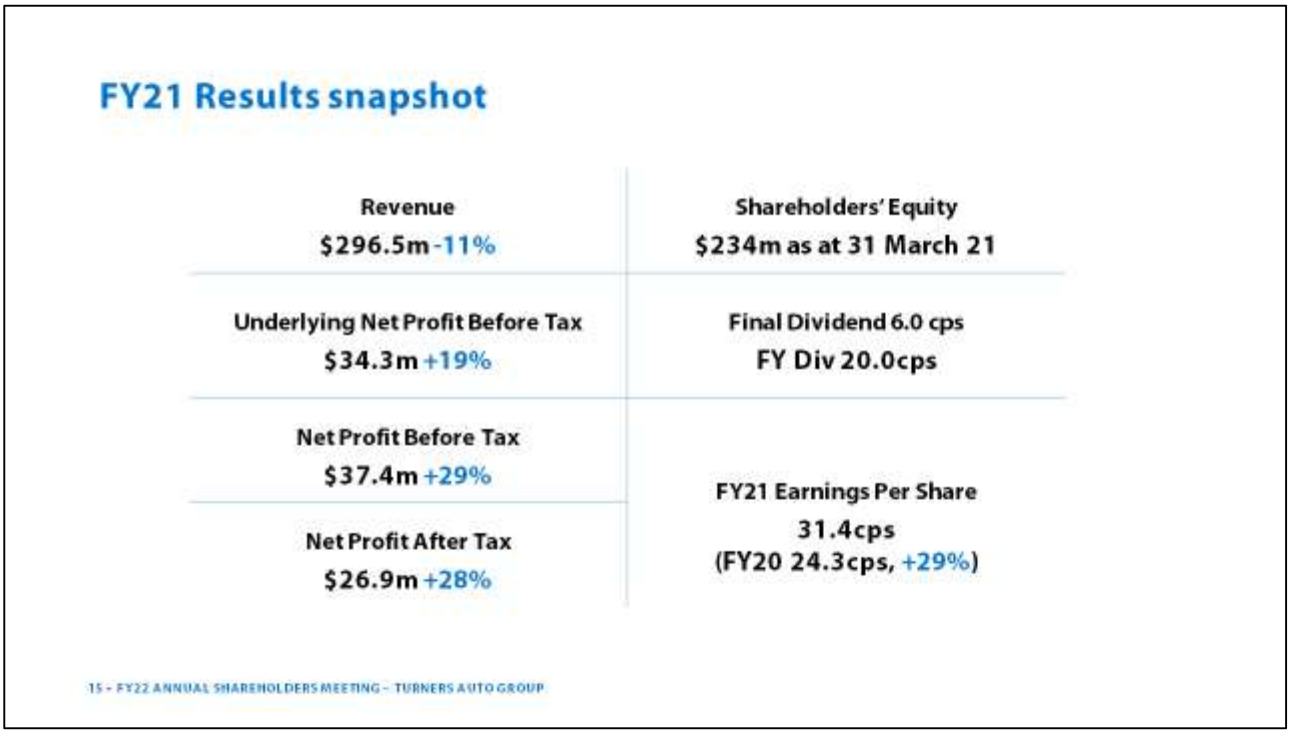
CEO'S PRESENTATION

9 September 2021

Thank you Grant, and may I start by thanking the Board and all the Directors, on behalf of the Turners Auto Group team, for their support and guidance through the last 12 months.

And on behalf of the wider Turners team, thank you to each of you for being with us online today, and for continuing to show interest and care about the company. We are delighted by the loyalty of our investor base, and we will continue to strive to reward that loyalty with improving outcomes, including dividends.

Today I'm going to spend a small amount of time looking back on the FY20 year, give you a quick overview of the car market in NZ, and a few comments on how each business unit is going so far in the FY22 year, including the impact of the current lockdown. I will then finish up with a discussion on our 3 year roadmap and how we're tracking toward that.



Looking back quickly at FY21 results. We announced this to the market back in May, so I won't dwell on the historic outcomes.

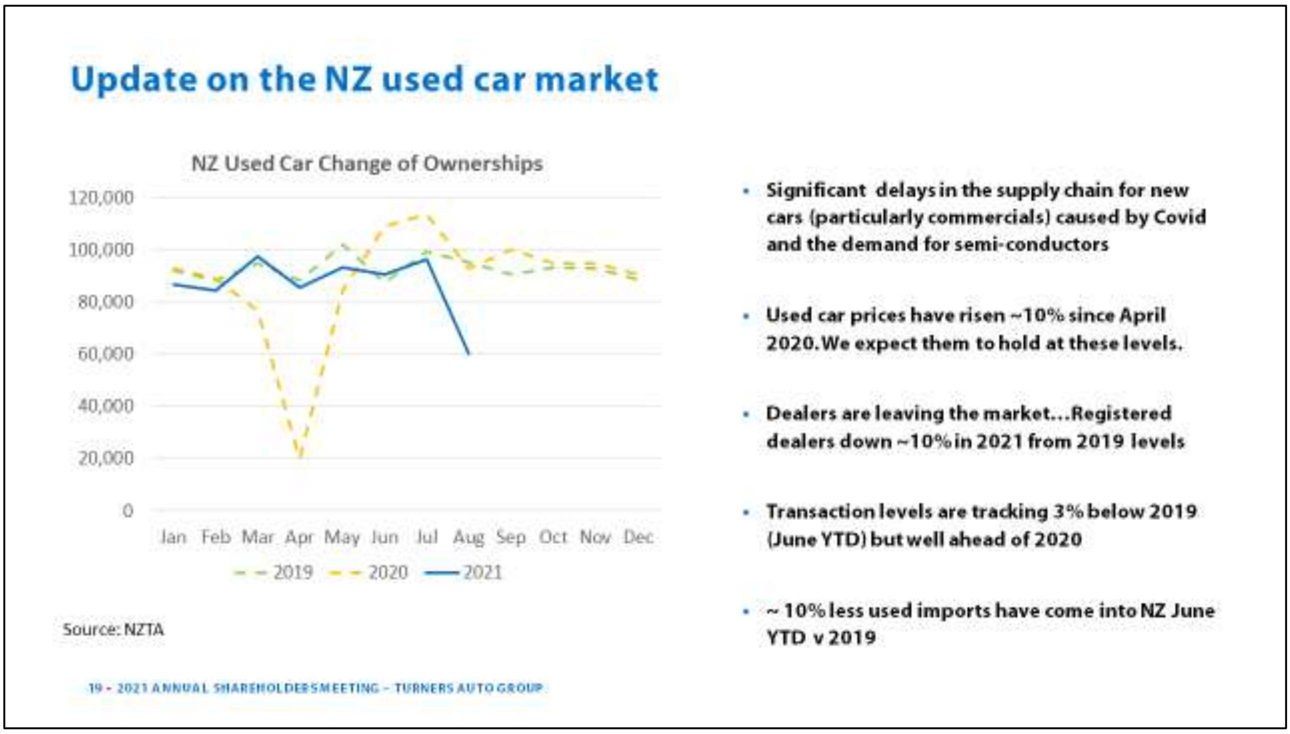
Suffice to say, we had a step change in our business performance in FY21. This included a 19% increase in underlying profit before tax. This is a result of many of the changes we made over the last 2-3 years that are now really starting to get traction. Although a disrupted operating period saw FY21 revenue down 11% to $296m, a strong response from the business, including acceleration of its digital strategy and rigorous cost management saw three of our four segments lift profit strongly. Only Credit was down on last year's result and that was because of an unusual situation where a number of our corporate and bank customers were reluctant to pursue debt aggressively over the Covid-19 period.

Demonstrating the benefits of the Group's diversified annuity businesses, profit rose 50% in Insurance, 30% in Finance and 11% in Automotive Retail. All of this helped to contribute to a strong and sustainable yield.

I think our team has responded incredibly well to the challenges brought on by the pandemic. Their high levels of engagement combined with the diversified nature of the business ensured we were well positioned to navigate the various national and regional lockdowns. As a group, we have continued to build quality customer experiences, improving the quality of the work environment for our people, which in turn will deliver quality returns for our shareholders.

Our growth plans are working and our confidence in our longer-term plan is only growing.

Pleasingly, FY22 has started positively and we have continued to see another step change in the business performance run rate prior to the latest lockdown.



Firstly, in regard to the short-term. We now have the August market transaction numbers and as expected there has been a short-term impact on transaction numbers from the lockdown. Last year's experience will tell us we can also expect a bounce back in transaction levels once normal operating conditions return. It's still too early to have a firm view of how this halt followed by acceleration will have on our business. However, we are more confident than we were during the first lockdown on how this will play out. And we will update you further when we announce HY results in November.

Secondly, on the medium terms, as many of you will have read about or possibly experienced first hand, there are significant delays being experienced in the supply of new cars. This is mostly due to the unusually high demand for micro-chips. Based on our conversations with new car manufacturers, we now expect this shortage to continue to impact the market for at least another couple of years.

Because less new cars are being sold internationally, vehicles are difficult to buy in Japan, which means there are less used imports coming into New Zealand. As a reminder, we are much less exposed to this shortage than most of our competitors, with less than 10% of our vehicles coming from overseas.

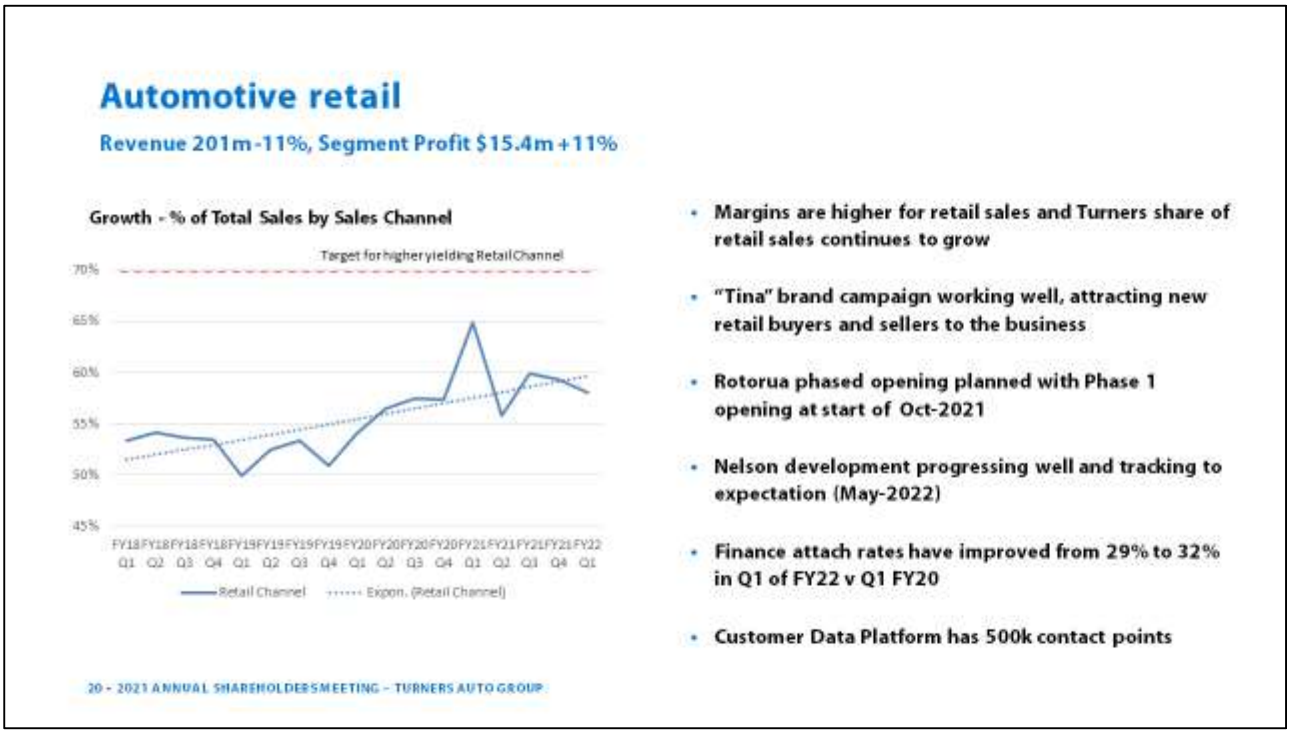
This overall reduction in supply has led to used car prices increasing over the last 12 months probably somewhere in the 10-15% range. The price rises are more pronounced in specific makes and models, such as utes (incidentally, we have certainly observed the impact of the 2020-2021 construction boom!)

With more regulation now coming into effect from the government we would expect used car prices to hold at this level or potentially even increase further.

Also the difficulty in sourcing stock means around 10% of dealers have left the market over the last 2 years.

Finally, to give you a sense on volume, at the end of August 2021 YTD used car transactions are tracking around 10% below the same period in 2019.

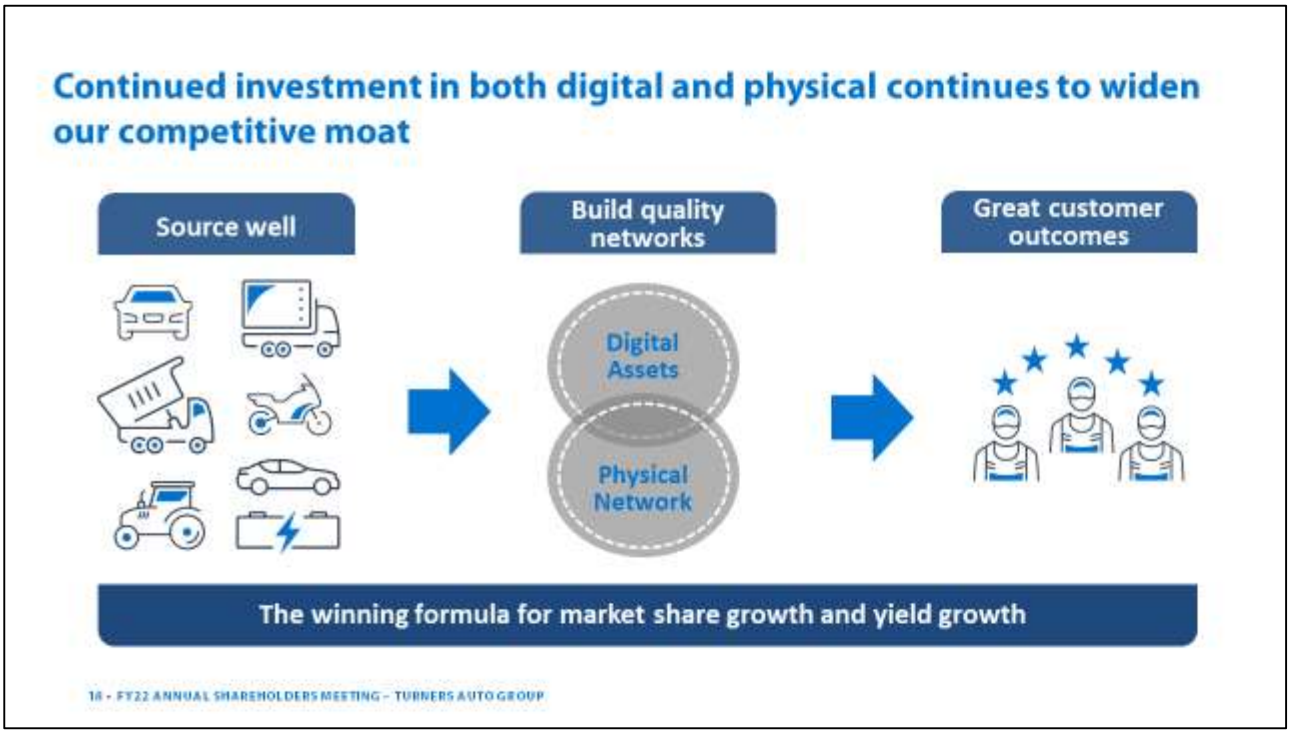
Let’s move onto the business units.



In **Auto Retail** our strategy of focusing on the purchasing capability of our business, optimising our network of sites, and enhancing our digital presence, is delivering gains in both margin and market share.

Auto Retail also drives synergies amongst our other business units. Each month we are lending more of Oxford's money to Turners customers, and our new Turners brand campaign is attracting new buyers and sellers to the business.

Our customer data platform is complete and we now have over half a million contact points for customers. This is leading to much more relevant and timely communications with customers and is ultimately helping us drive our conversion numbers up in both buying cars and selling cars.



We feel we have the winning formula for market share and margin growth in the Auto Retail business. If we source vehicles smartly, provide quality digital and physical networks, this will deliver great experiences and outcomes for our customers.

We continue to be very focused on improving our sourcing. We source over 90% of our vehicles locally which means we don't have the exposure to the volatility in the Japanese used car supply chain. The initiatives we have put in place using data, extensive training and the use of diagnostic tools means our purchasing is improving.

We are investing in <u>both</u> our physical network and our digital network. It is not an either or situation. Firstly, on our physical network. We are already seeing significant benefit from exiting the large wholesale auction site in Penrose, Auckland and moving into smaller retail-optimised sites like Westgate.

The two property projects we have underway are Rotorua and Nelson. Rotorua is now in our possession and we are on track for our phased opening as we redevelop and “Turnerise” the main building on site. Phase 1 opening will be in the next 2 weeks or so with the full redevelopment to happen over the next 6-9 months. We have used this phased playbook before and it allows us to realise contribution from the site more rapidly, whilst steadily building momentum over a 12 month period.

This is the concept drawing of what it will look like. As you can see we are partial to the colour blue!

The Nelson site development also remains on track. Demolition work has now been completed and design and consents are being finalised. We expect this branch to be operating in Q1 of FY23.

Our physical network growth is on track

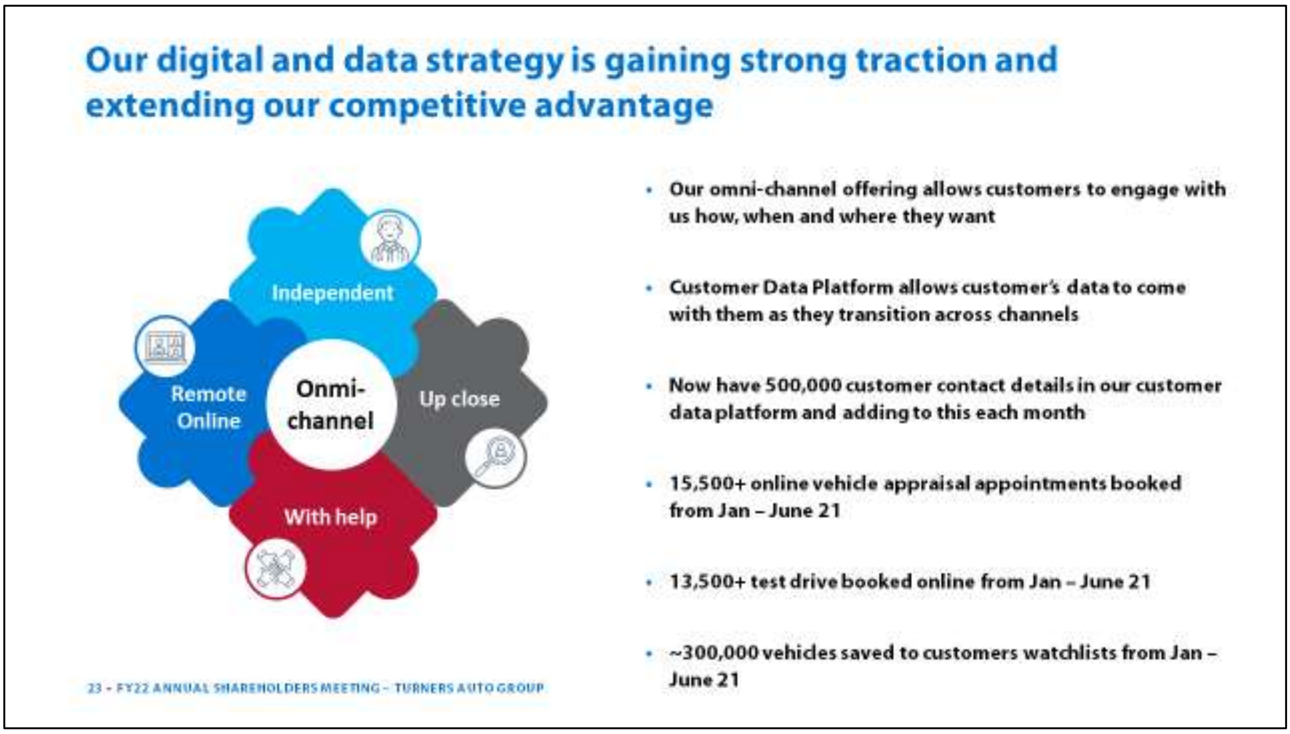
Nelson design concepts

Property asset "unrealised gain" growing…

Site	Original Cost ($m)	31-Mar-21 Valuation	Unrealised Gain/loss
Developed sites			
John Seddon Drive, Porirua	7,800	9,700	1,900
160 Roscommon Road, Auckland	6,600	10,700	4,100
Walton Street, Whangarei	5,400	6,500	1,100
Francella St, Christchurch	1,800	2,700	900
Archers Road, Auckland	13,600	17,000	3,400
Mt Richmond, Auckland	11,300	13,600	2,300
Matipo Lane, Palmerston North	800	1,100	300
Total Developed sites	47,300	61,300	14,000
Development sites (settled in FY22)			
Nelson	4,000		
Rotorua	5,500		

- We have been building up a portfolio of property over the last 7 years
- We are utilising insurance company reserves to invest in these properties.
- These properties are on the balance sheet at cost at $47.3m compared to independent valuations of $61.3m resulting in an unrealised gain of $14m.
- We have another two properties which will settle in FY22 taking our total property portfolio to $62.5m, and two more offers in play

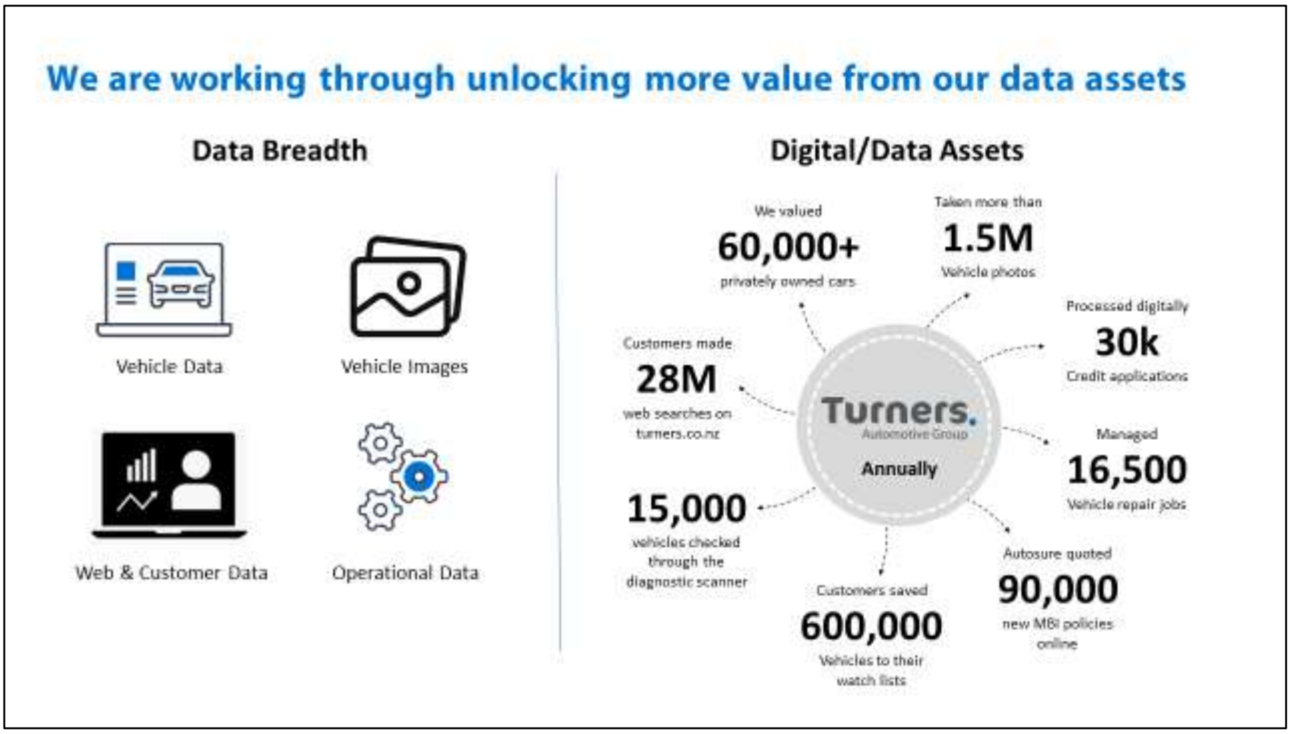
We now own 9 sites across our network of 27 auto retail branches. One thing we haven't talked a lot about till now is the unrealised gains we are accruing on this portfolio. These are all held on balance sheet at cost and even with some very conservative valuations we have around $14m in unrealised gains so far. We are always working on our funnel of property opportunities and have another 3 property deals in the pipeline that haven't concluded but are well advanced. These either relate to new sites or larger sites in existing locations and we look forward to updating you on progress in due course.



In terms of our digital networks, I am really pleased with the progress we have made and the traction we are getting with customers, which is driving business outcomes.

We now have in place **the leading omni-channel experience** for buying and selling cars in New Zealand. This means customers can choose how and where they want to purchase.

Whether that is in-person at one of our branches or buying a car completely online from woe to go. Once they do come into the branch we already have their data and are able to really customise and speed up their whole buying experience. We have had over 13,500 test drives booked online in the first 6 months of 2021 and over 300,000 vehicles saved to customers watch lists. More and more of our customers' journeys are being enhanced by our digital platform.



As you can see on this slide, we have an enormous amount of data in the Turners Auto Group ecosystem. This includes the largest transaction data set for car sales in NZ. Whether that is vehicle-related data from diagnostic scanning, the number of cars we value each year, or over 1.5m vehicle images we take annually…we are building up enormous pools of data that will enable us to keep sharpening up our vehicle purchasing decisions. Every day, we also have material numbers of digital interactions through all parts of the customer journey…we are getting great feedback on what works and what doesn't work.

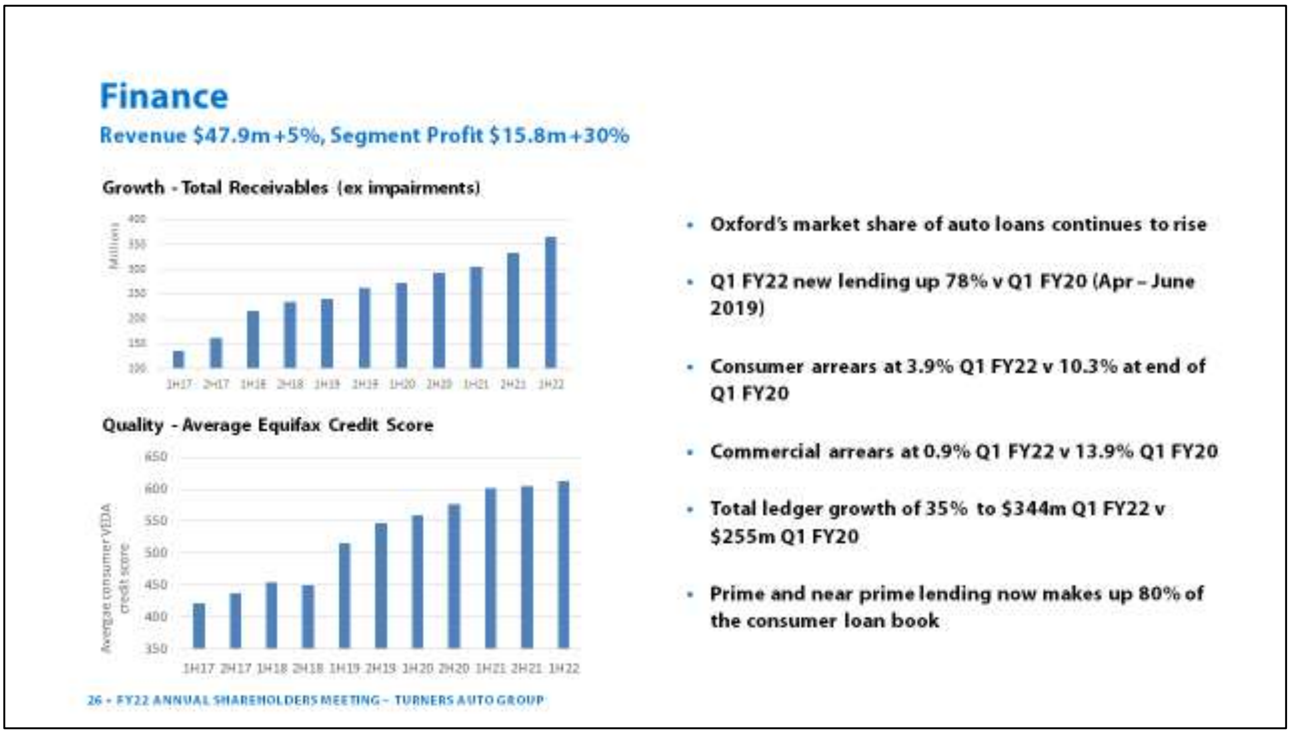
Overall, digital is becoming an intrinsic part of how we operate. But the key for market-leading digital platforms is to not rest on your laurels. That's why we've increasing our investment into digital every year. Strategically, we see digital as one of our most important competitive advantages and we continue to double-down our investments, knowing that our competitors cannot and simply are not keeping pace.

ESG - EVs and Subscription

- Turners have an exciting role to play to help the NZ fleet transition, in partnership with EECA we have expanded our EV fleet.
- We currently have 78 vehicles on subscription of which 40% are EVs. There is high demand for these subscription cars…helps with "try before you buy"
- Used EVs difficult to source…pricing has already increased in Japan and locally by the amount of the government rebate.
- Japan is the major source of used vehicles for NZ. There are 303k EVs in vehicle fleet out of a total of 78m cars. New EV sales in 2020 were 29k against new car sales of 4.6m
- EVs in the NZ fleet are at ~30k units out of a total vehicle population of around 4m vehicles.
- Older low range EVs have a good fit in the subscription business
- The rebate scheme has driven up purchases significantly to 1,947 in July up from average of 781 (Jan-Jun). August sales have dropped back to 671.

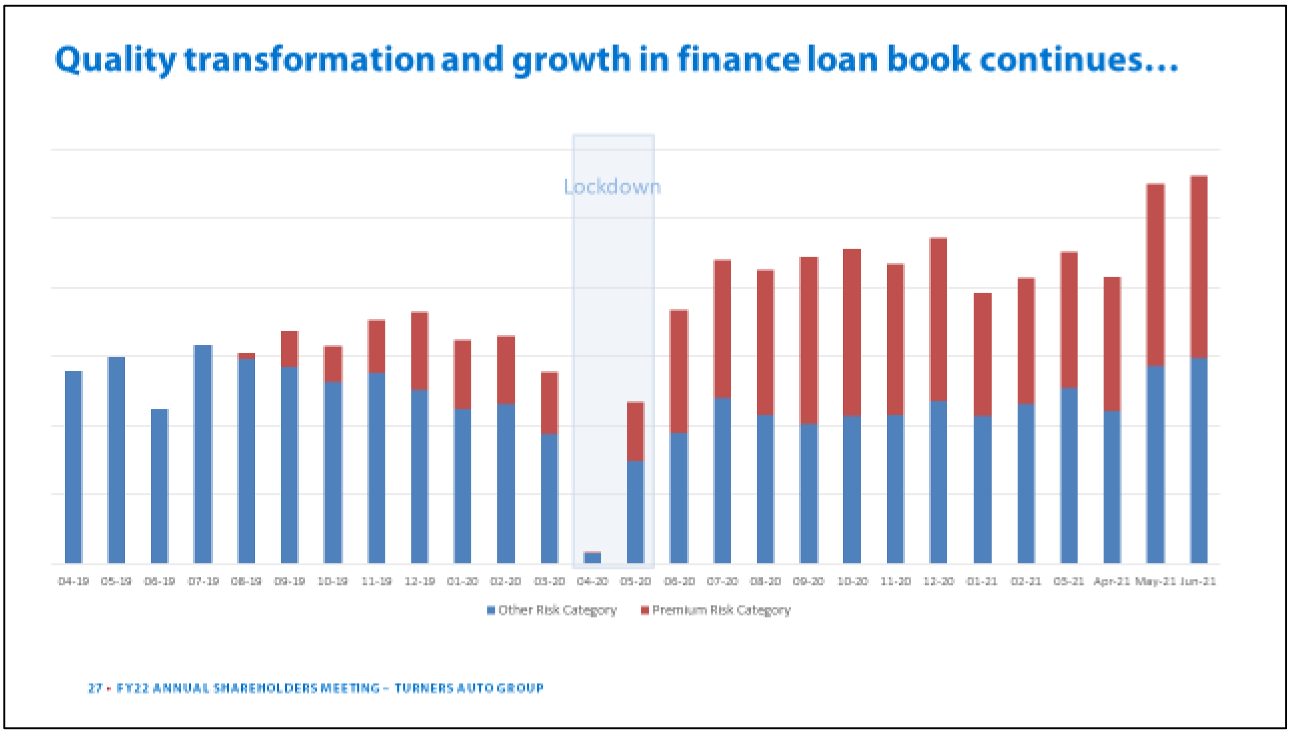
29 - 2021 ANNUAL SHAREHOLDERS MEETING - TURNERS AUTO GROUP

We launched our Turners Subscription offering in October last year. This is an alternative to owning the car outright. Customers pay a monthly subscription for exclusive access to the car, this includes insurance, rego, WoF etc. The customer only needs to pay the subscription fee and of course when they fuel up at the service station or at the power point in the case of an EV. We currently have around 80 vehicles out on subscription, of which around 40% of these vehicles are EVs. We think there is a nice fit with EVs and the subscription offering. Subscription provides a low risk and low-cost way for customers to "try before you buy". Also many of the older lower drive range EVs can be priced at a level that makes EVs more accessible to more people. We are looking to increase our EV fleet within Subscription as we do see a role for Turners to assist in getting more Kiwis behind the wheel of an EV. Accordingly, the subscription model is the key pillar of the Environmental part of our ESG strategy

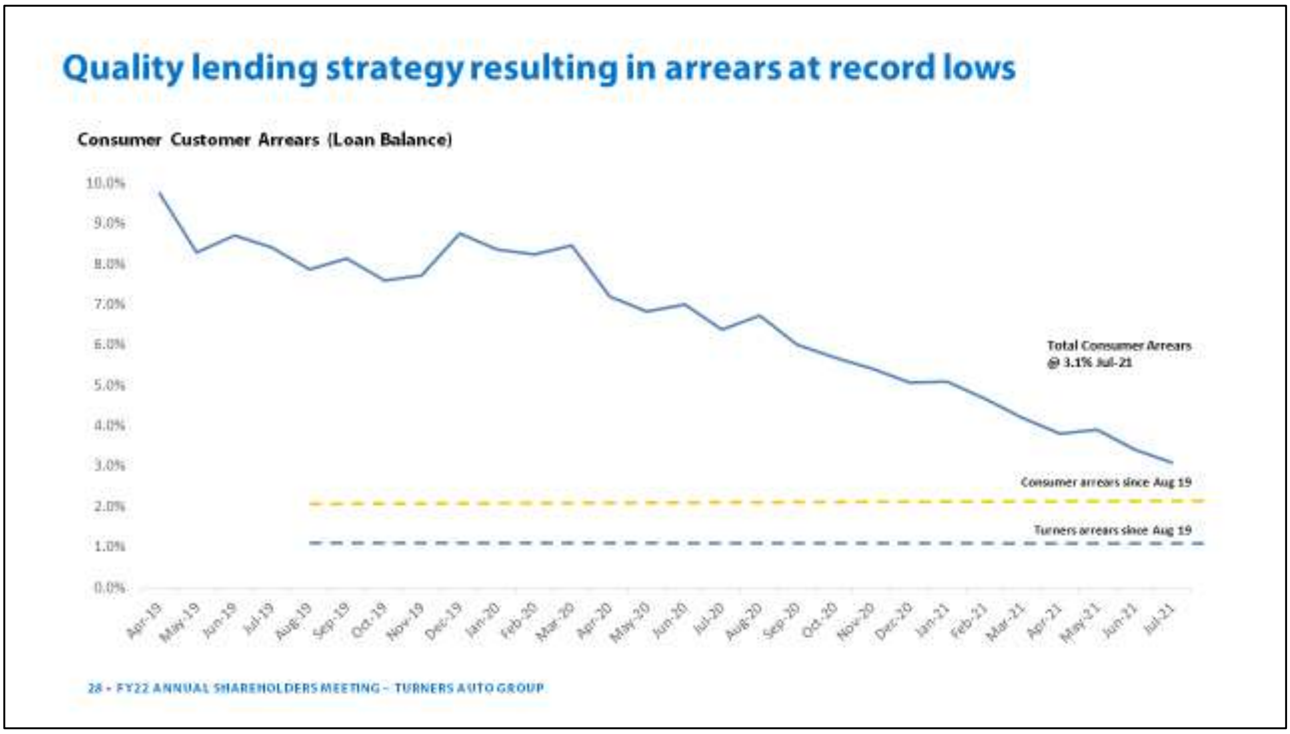


The Finance business continues to perform exceptionally well and is our most improved business over the last three years.

New lending is growing off the back of our market share wins. Arrears continue to drop off the back of our focus on the premium borrower segment of the market. Consistent with our Digital investment in Auto Retail, we continue to improve our reporting and data analytics and as a result, we have never had more transparency and control over risk and pricing.

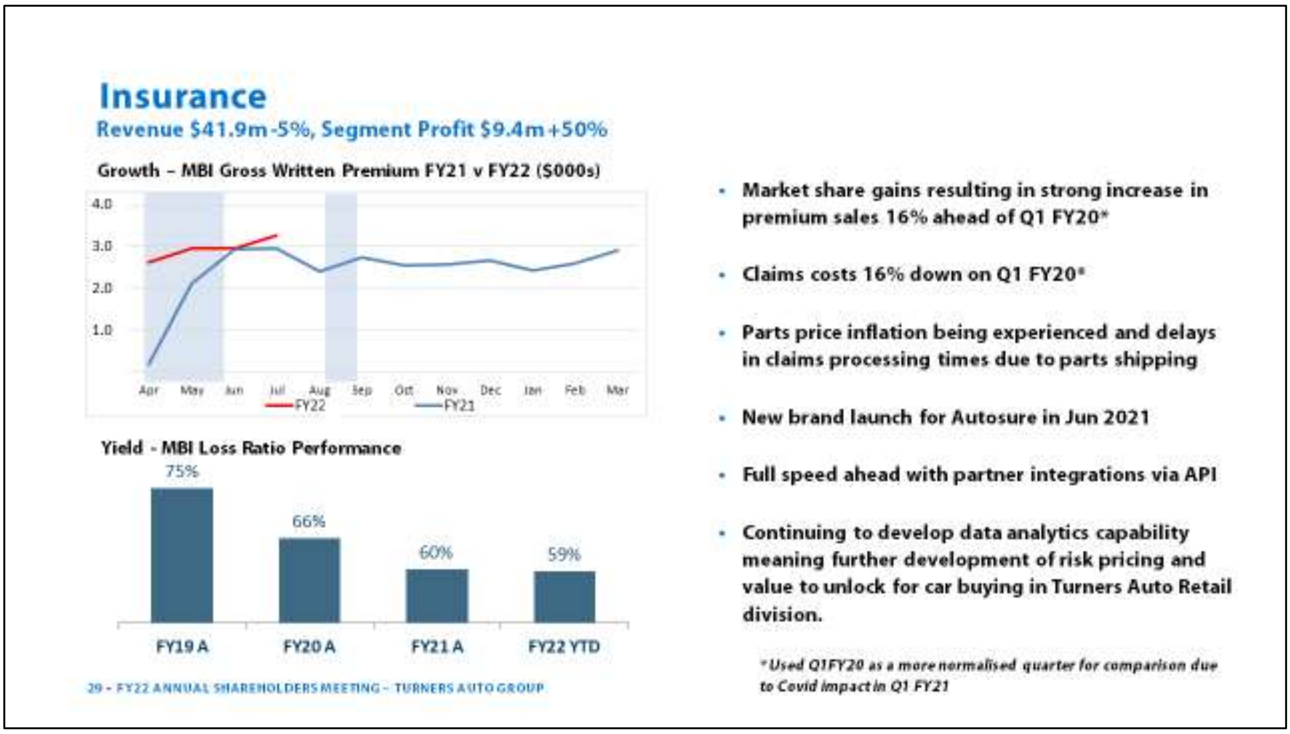


We showed this graph at the annual results presentation in May and we have updated it to June. Two things stand out: 1) how much of our lending is in our premium lending tier, and 2) the step change increase we've achieved in lending volumes thus far in FY22.



Arrears continues to track down as the increased quality of the loan book takes hold. This is a structural change and thus will result in an ongoing benefit to the business relative to the counterfactual. The cause of this change is the introduction in premium lending that I showed you in the previous slide. Accordingly, we expect arrears to continue to decrease going forward as premium continues to increase as a % of our total loans.

You can see in the two horizontal lines the performance of newer loans written since we introduced premium lending in August 2019. The yellow horizontal line are arrears from loans sourced from third party dealers and the blue horizontal line being loans from Turners Auto customers. Thus, the top line should continue to track down going forwards, assuming relatively stable economic conditions.



Our Insurance business has seen continued wins in market share in the early part of FY22 resulting in a positive lift in Gross Written Premiums. You can this from the red line on the top graph.

We are experiencing some spare parts price inflation and delays in vehicle repairs due to shipping timeframes, however this is being offset by the improvements we have made in our risk pricing.

Finally, our focus remains on distribution and we now have a number of API integrations with finance partners in particular. These will deliver an increase in customer acquisition opportunities over coming years.

Credit management

Revenue $12.8m -29%, Segment Profit $5.1m -22%

Debt Collected Q1 FY21 to Q1 FY22 ($000s)

- **Debt load from major banks and government departments has scaled up although still down on historic levels due to overall low default environment.**
- **Total debt load up 47% in Q1 FY22 v Q1 FY21, mainly due to the recommencement of collections actions from large NZ large NZ corporate customers.**
- **Credit card, telco/utilities and personal loan arrears are all materially down on pre-pandemic levels.**
- **Debt collected up 2% to $10.5m in Q1 FY22 v Q1 FY21**
- **Lockdown in Australia impacting sales of terms of trade product**

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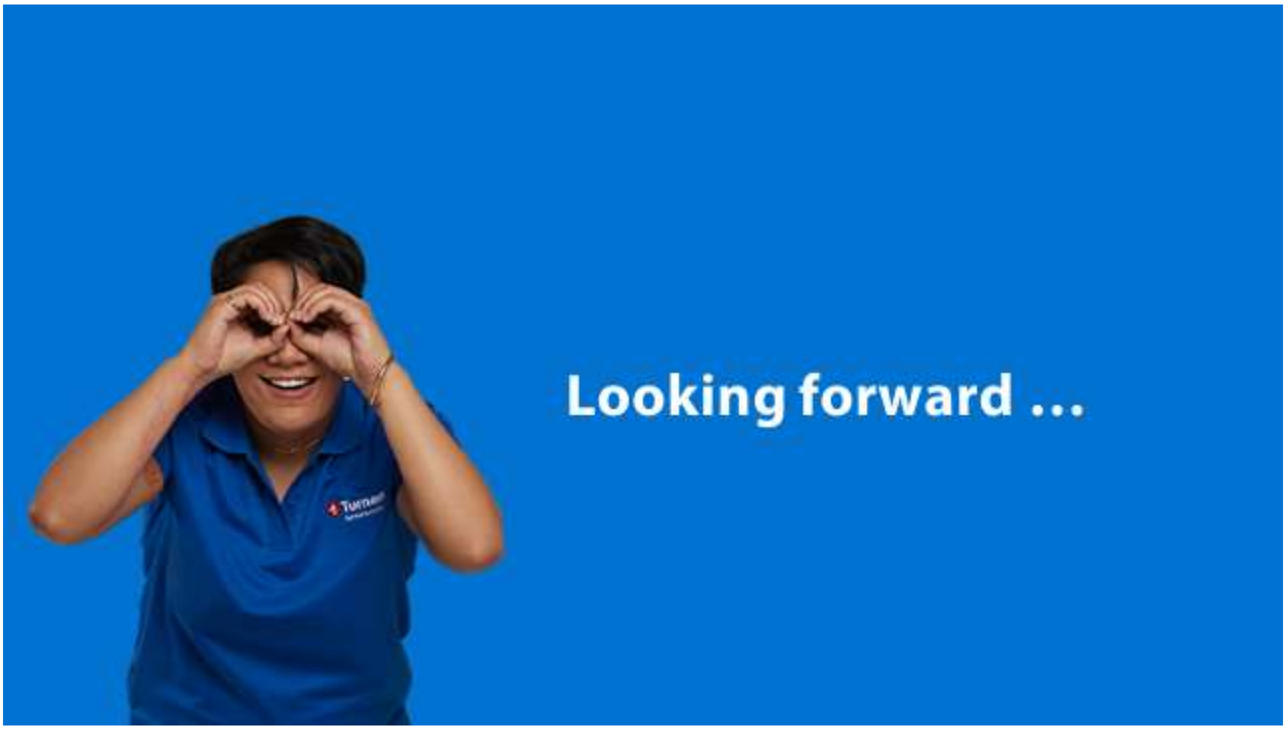
The Credit Management business continues to be challenged by market wide low default rates and also lockdowns in Australia. Debt load is up on the same period last year but is still below historic levels. We continue to work closely with referrers to manage and improve customer outcomes as we operate in an environment where bad debts are likely to increase and debt collection services will see increasing demand.



Moving onto our short term and medium term plans and goals.

Nothing has changed in terms of the priorities we communicated back in May. If anything our conviction levels have increased based on the traction, we have seen in trading pre-lockdown.

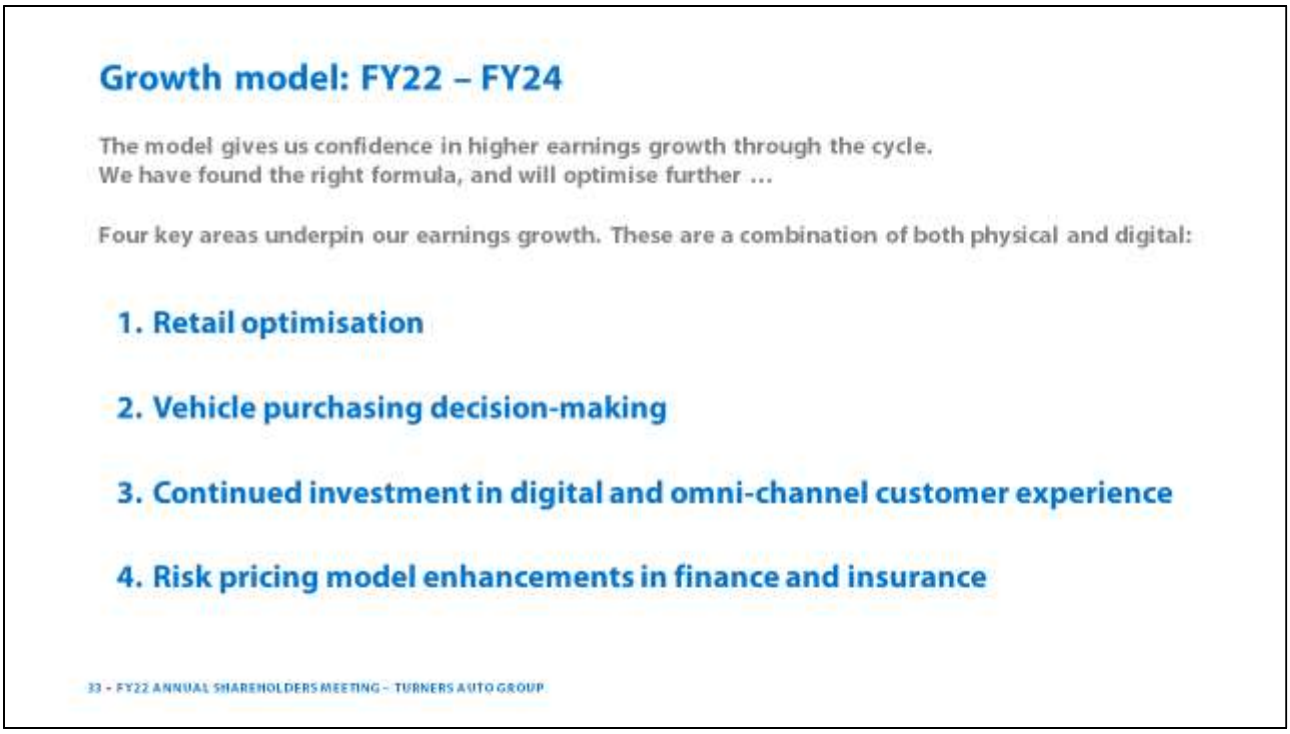
On this slide, we have three to four priorities for each business. But I just want to zoom in for now on the top priority within each business:

- **In Auto Retail stock acquisition** is the single most important area of investment. Strategically this is where our competitive moat is becoming even wider

- **In Finance simplifying and automating** as much of our lending process to ensure fast turnaround on credit decisions will be priority #1.

- **In Insurance continuing to expand our distribution** is the top of the work stream list.

- **And in Credit Management investing in data initiatives** to improve contact rates will be the most important area to work on.



In May, we made the decision to publish our 3-year target and growth plan. This was possible due to the level of confidence we have in the structural improvements that we have made to build quality in the business. We've made a number of changes over the last 2-3 years where we're already seeing major benefits.

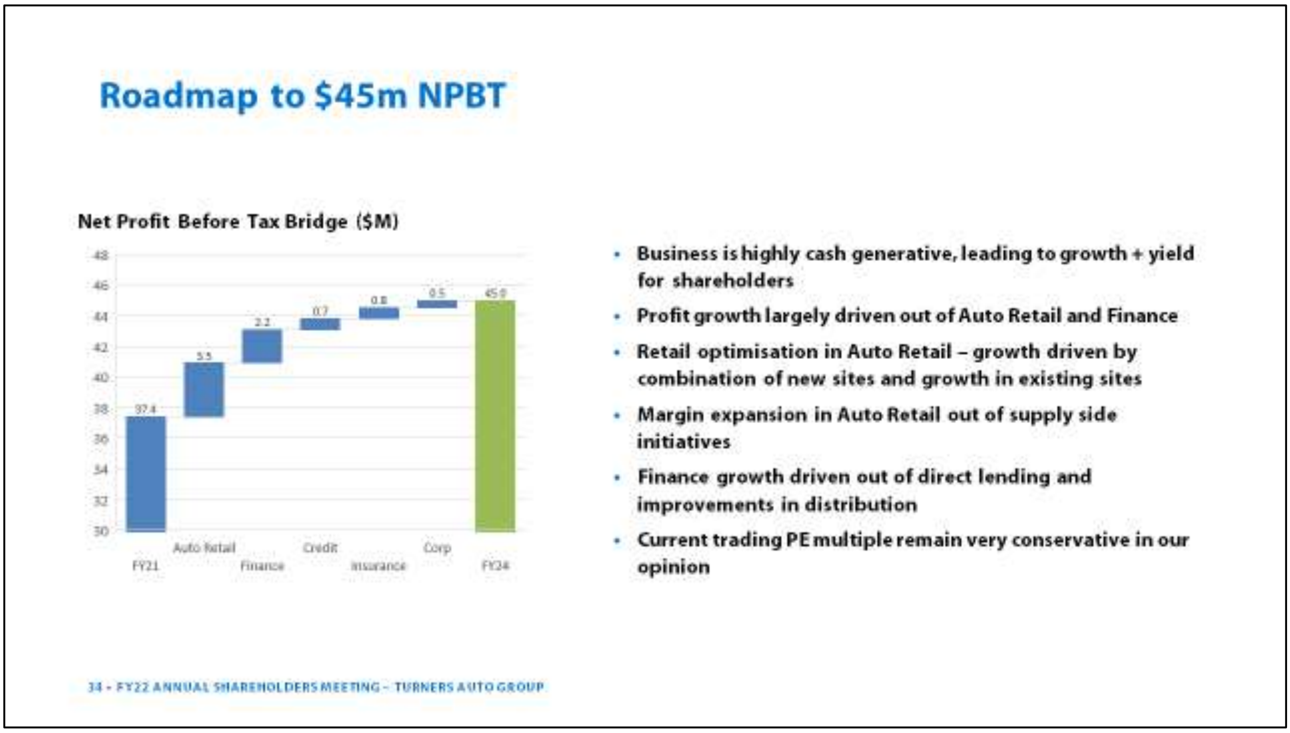
We believe we have found the right formula, and more importantly, we will continue to further optimise these known levers in the future:

1. **Retail optimisation:** We will continue to optimise our property footprint and customer experience for our retail consumer. More retail sales improve both our margin per transaction and also our market share.

2. **Vehicle purchasing:** We are continuing to improve our decision-making for buying cars. Like any retail business, we make our money when we buy, so we've invested in market leading diagnostic tools and data tools such as artificial intelligence to improve the % of vehicles where we make profit

3. **Digital:** We are continuing to invest in digital initiatives and in particular enhancing our omni-channel customer experiences. This will further expand our competitive advantage in this space.

4. **Risk pricing:** We will continue to refine our risk pricing models in finance and insurance using data insights that are both proprietary and third party.

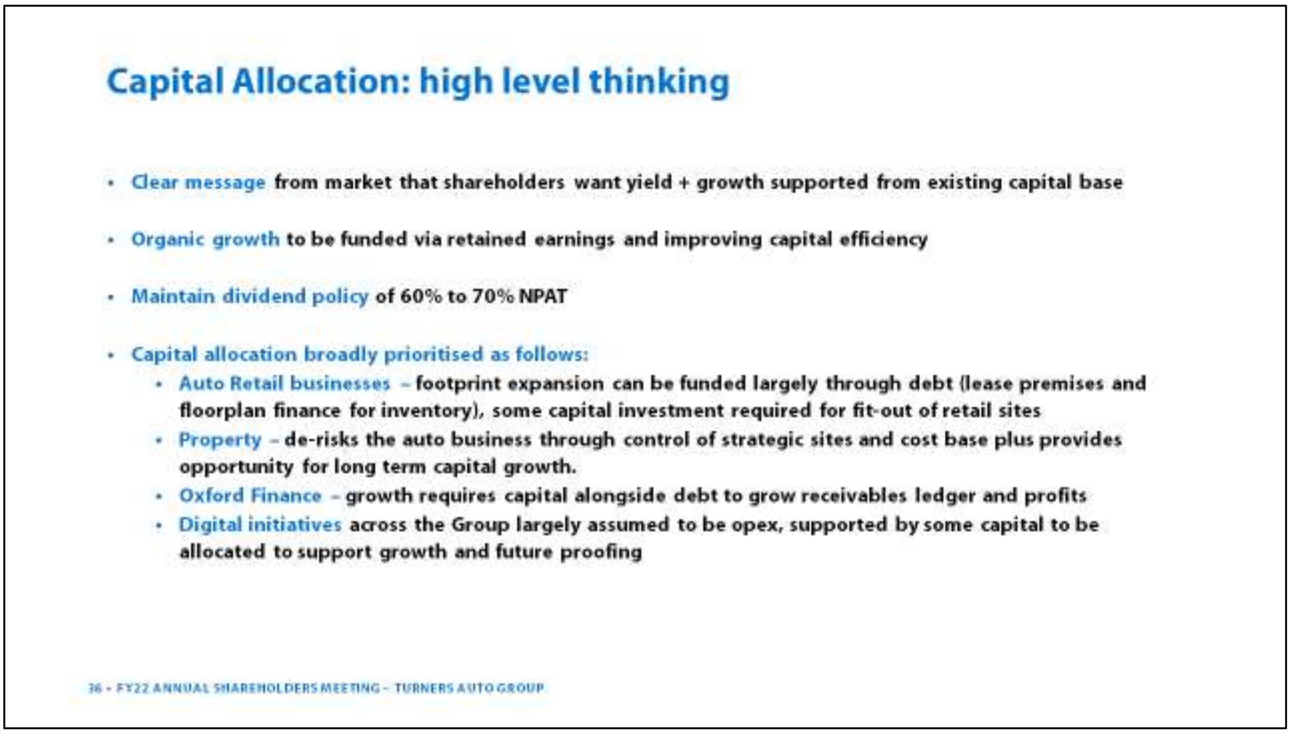


Within 3 years we are targeting Profit before Tax of $45m. Using our existing dividend policy this equates to a dividend payout of around 24cps. Naturally, our future performance also depends on many variables outside our control. Covid is a pertinent reminder that the unexpected can happen. Nevertheless, we believe it's helpful to put a stake in the ground which enables investors to judge the progress of our strategy.

The Turners business and in particular the Auto Retail and Credit Management businesses are highly cash generative which gives us the opportunity to reinvest to deliver organic growth and yield for our shareholders.

The focus areas for growth will be Auto Retail and Finance with retail optimisation helping to deliver margin expansion and market share growth and Finance growth will come from distribution expansion and direct lending.

We are confident that if we deliver the growth the combination of higher earnings and an expanded valuation multiple should better reflect the value we are delivering for shareholders and the quality of the company we are building.



We think it is important to be clear with shareholders on how we think about allocating capital in the business for these growth plans. We have received very clear messages from existing shareholders that they want to see both yield and growth, but growth supported from the existing capital base.

Our focus is on organic growth, which will be funded out of retained earnings and initiatives to make ourselves more capital efficient. The business continues to be well funded, and conservatively geared. We have significant headroom of $55m+ in our funding facilities. Also as a reminder, 80% of our borrowings relates to the finance company … and of course debt-funding is essentially just the inventory of any finance business.

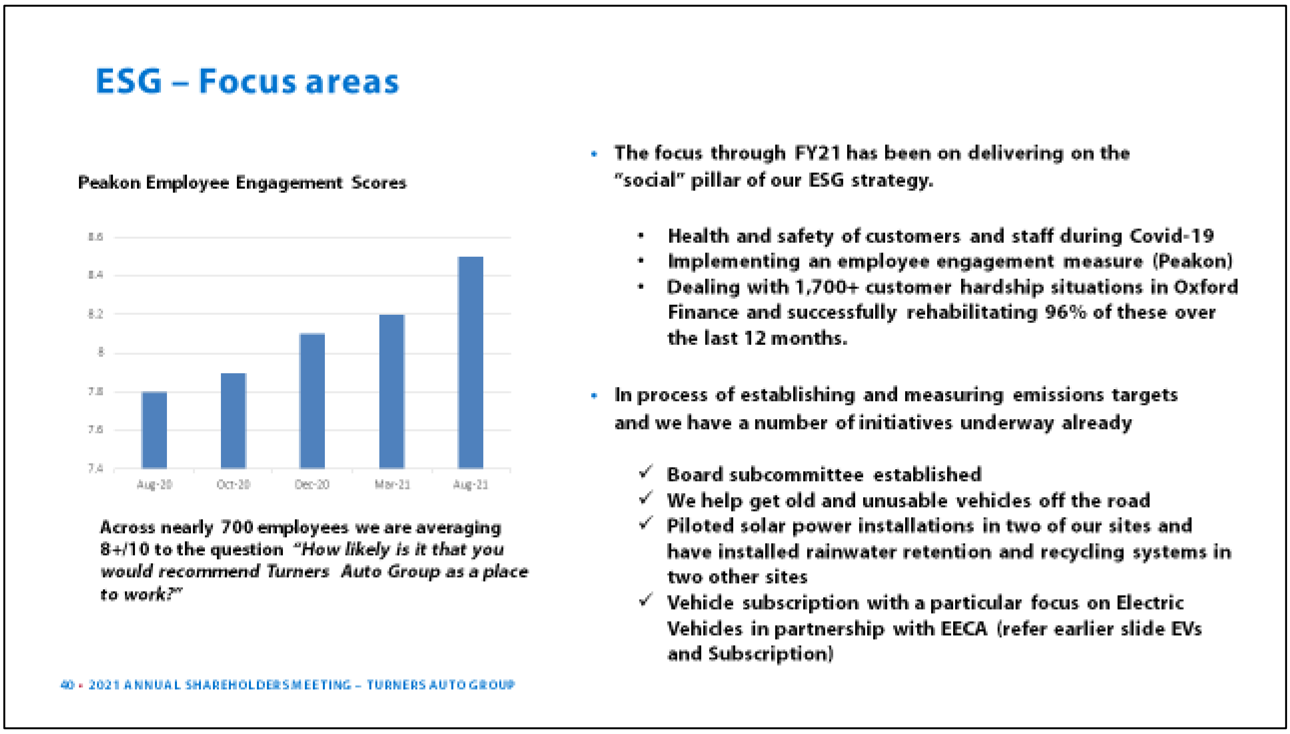
Capital allocation will be broadly prioritised across the following categories:

* **Auto Retail businesses –** footprint expansion can be funded largely through debt (lease premises and floorplan finance for inventory), some capital investment required for fit-out of retail sites.

* **Property –** largely mortgage funded, de-risks the auto business through control of strategic sites and cost base plus provides opportunity for long term capital growth.

* **Oxford Finance –** growth requires capital alongside debt to grow receivables ledger and profits.

* **Digital initiatives across the Group**. Largely assumed to be opex, supported by some capital to be allocated to support growth and future proofing.

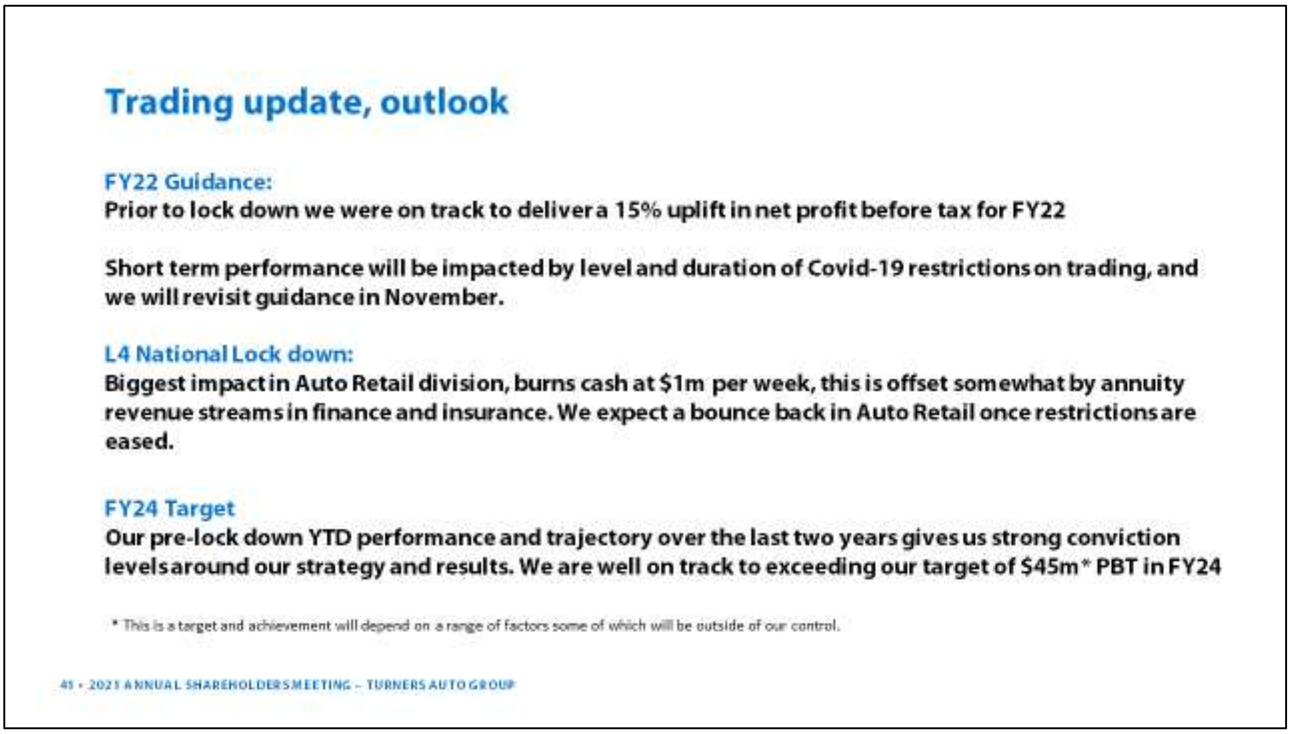


The focus of our ESG strategy in FY21 has focused mostly on the social aspect with the obvious focus on our customers and staff safety and welfare during the height of the pandemic. This key focus has continued over this latest lock down.

We have implemented Peakon during the year, an excellent employee engagement survey, which gives our people a regular opportunity to give us their feedback and gives us great information on a whole range of topics. In the chart on this slide, you will see the positive improvement in our scores since launch. We are really pleased with the high levels of engagement right across the business.

We are also doing a lot in the current business to help old and end of life cars off the road.

Finally, as I previously detailed, with Turners Subscription we now have a platform by which we can increase our electric vehicle fleet over the next 6 months and thus do our bit to speed up EV adoption in New Zealand.



YTD FY22: The first 4 months of trading in FY22 has seen a continuation of our positive momentum over the last couple of years. Prior to the lock down in August we were tracking comfortably ahead of the comparative periods for both FY20 and FY21.

In all the auto related businesses we have seen market share gains and yield improvements. Based on the momentum we were experiencing prior to August we were easily on track to delivering a 15% uplift in profits for FY22.

Obviously the Covid restrictions have a short-term impact, particularly on our Auto Retail Division. Given the uncertainty around the L4 lock down period in Auckland, and the impact of a more restrictive L2 in the rest of the country we will update the market with more specific FY22 guidance at our half year results in November.

FY24 Target: Putting this short-term impact aside, our pre-lock down YTD performance and trajectory over the last two years gives us strong conviction levels around our strategy and results. In relation to our 3 year goal we are well on track to <u>exceeding</u> our target of $45m PBT in FY24.

Before we finish, I would like to acknowledge the efforts of our team, from our Board of Directors through to the operational teams who deliver day in day out for our customers and for our shareholders. This group of people have been totally committed, and prepared to go above and beyond, even in the disruptive Covid-impacted periods. This really is a great group of people to be involved with. I feel very proud to be part of such a passionate and dedicated group of people.

Thank you for your attention this morning, and

and before I hand back to Grant we will show you a sneak preview of the next Tina instalment…

ENDS