

# TURNERS LIMITED ANNUAL MEETING

## CHAIR'S PRESENTATION

9<sup>th</sup> September 2021

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Play video welcome from Tina



That's a hard act to follow. Welcome everyone and thanks for joining us at the 2021 annual meeting of shareholders of Turners Automotive Group.

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

The Notice of Meeting and 2021 Annual Report and financial statements have been circulated and made available to shareholders. Today's meeting is being held online via the Computershare Online Meetings platform. This allows Shareholders, Proxies and Guests to attend the meeting virtually. All attendees can watch a live webcast of the meeting and read the company documents associated with the meeting. In addition, shareholders and proxies have the ability to ask questions and submit votes.

I would like to introduce my fellow directors - Paul Byrnes our deputy chair, Matthew Harrison, Alistair Petrie, John Roberts, and Antony Vriens. Martin Berry is streaming live from Singapore via Zoom and is participating fully in the meeting today.

Also with us online today are Todd Hunter, our Group CEO and Aaron Saunders, the company's Group CFO.

There will also be a number of our senior managers and staff online today. Welcome to you all.

Also in attendance today are the company's auditors, Staples Rodway, as well as our legal advisors Chapman Tripp, and other advisors.

Thanks to all these firms that provide valuable services to Turners.

## How to Participate in Virtual/Hybrid Meetings (Q&A)

### Shareholder & Proxyholder Q&A Participation

**Written Questions:** Questions may be submitted ahead of the meeting. If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime. Type your question into the field and press submit. Your question will be immediately submitted.

**Help:** The Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly.



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We were looking forward to the opportunity to meet shareholders in person, and to share our plans and our enthusiasm for the future of the business. However, like many situations we have faced in the last 18 months we have had to adapt, and this meeting having to be postponed from August and shifted online is yet another reflection of that.

If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen anytime. Type your question into the field and press send. Your question will be immediately submitted. Should you require any assistance, you can type your query and one of the Computershare team will assist with the chat function and reply to your query. Alternatively, you can call Computershare on 0800-650-034.

Please note that while you can submit questions from now on, I will not address them until the relevant time in the meeting. Please also note that your questions may be moderated or if we receive multiple questions on one topic, amalgamated together. 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. Accordingly, I encourage you to get in early, to ensure that your question gets answered at the end.

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 shortly open the voting for all resolutions.


## How to Participate in Virtual/Hybrid Meetings (Voting)

**Shareholder & Proxyholder Voting**

Once the voting has been opened, the resolutions and voting options will allow voting.

To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by each resolution.

Your vote has been cast when the tick appears. To change your vote, select 'Change Your Vote'.



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At that time, if you are eligible to vote at this meeting, you will be able to cast your vote under the Vote tab. Once the voting has opened, the resolutions will allow votes to be submitted. To vote, simply select your voting direction from the options shown on screen. You can vote for all resolutions at once or by each resolution. Your vote has been cast when the tick appears. To change your vote, simply select 'Change Your Vote'. You 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 resolutions will now be open in the vote tab, please submit your votes at any time. I will give you a warning before I move to close voting.

## **Agenda**

**1. Chairman's Address**

**2. CEO Update**

**3. Resolutions**

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Today you will hear from me first and then an update from Todd Hunter.

Then we'll deal with the resolutions, where voting will be conducted by way of a poll on all items of business.

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

We'll answer questions on the resolutions at the time they are proposed, and 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.

**Chairman's Address**  
**Grant Baker**



Firstly, let me give you some comments on the year just gone and how we're positioned as a company. Obviously 2020 was a year unlike any other - but I couldn't be more pleased about the shape the business is in, the trajectory we're on and the future for the Turners business.

## All coming together ...

**Our plan for growth\* has been proven up and de-risked over the last three years:**

- 1. Building out a digital and omni-channel experience in Auto Retail**
- 2. Auto Retail optimisation**
- 3. Targeting high quality lending growth in finance**

\* For more details on our Growth Plan, please refer to our recent [Investor Presentation](#) (14/4/2021)

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Reflecting on the last 12 months, our team has responded incredibly well to the pandemic challenges presented through the year. Their high levels of engagement combined with the diversified nature of the business ensured we were well positioned as we moved out of the lockdown.

We've continued to focus on building our digital capability, optimising our retail network and customer experience and continued to grow high quality lending.

Our growth plans are being realised and the work we've been doing over the last 3 years is getting serious traction.



## KEY THEMES

**Quality + Growth + Yield**

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Quality, Growth and Yield are the key themes I wanted to drill into a little with you today. Let's start with Quality.

## **1. Quality: Building a quality business**

- 1. Quality of our trusted brands**
- 2. Improving earnings quality and consistency (incl. annuity revenue)**
- 3. Building a quality customer experience**
- 4. Extending our competitive advantage for digital**
- 5. Quality culture and people**

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As a group, we've continued to focus on quality. We know the great trusted brands we have in our stable.

Quality customer experiences are leading to improvement in earnings quality and consistency. We continue to extend our competitive advantage through digital initiatives, and we know that improving the quality of the work environment for our people will be critical in helping deliver quality experiences for our customers, as well as returns for our shareholders.

## **2. Growth: Momentum continues ...**

### **FY21 Result:**

**Achieved a step change in performance during FY21, with 19% growth in underlying PBT**

### **FY22 YTD:**

**Tracked comfortably ahead of run rate profit levels in H2 of FY21 (pre-lock down)**

### **FY22 Guidance:**

**Prior to lock down we were on track to deliver a 15% uplift in net profit before tax for FY22**

### **FY24 Target**

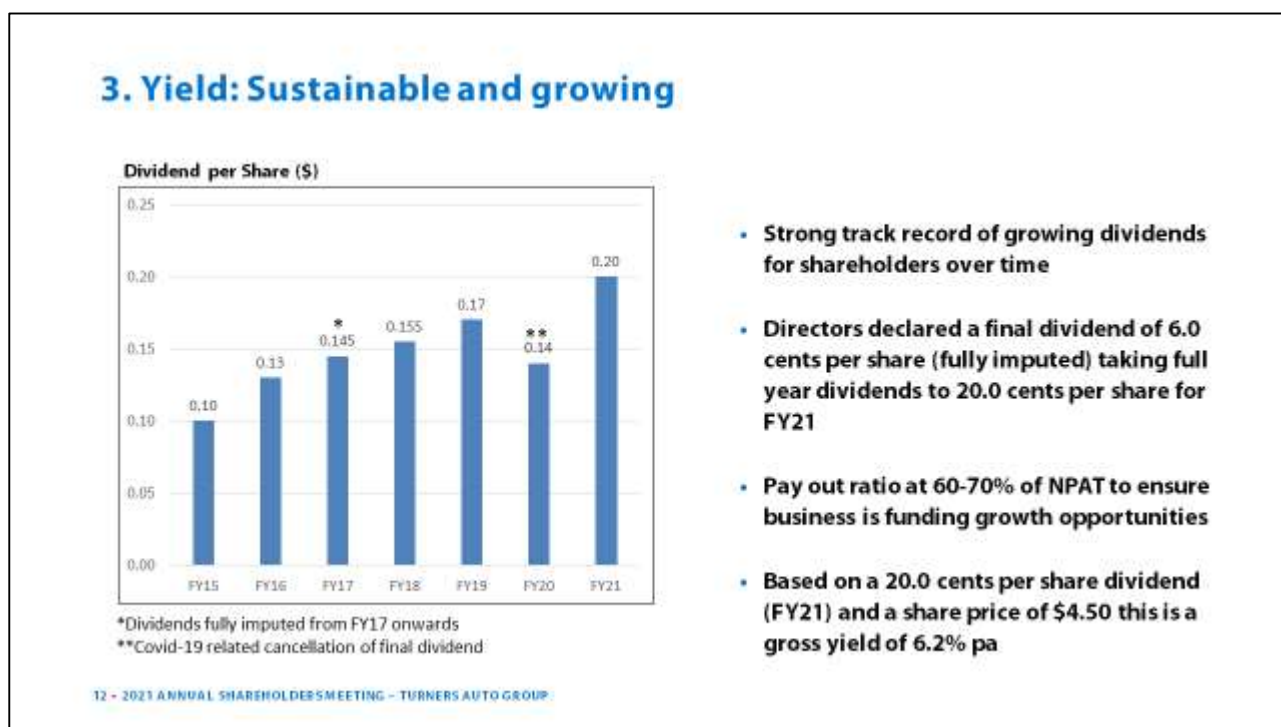
**Our target is for a 31% increase in Underlying NPBT from FY21 to FY24 to \$45m**

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We have some serious momentum in this business. We had already signs of this step change in late FY20 but the March 2020 lockdown put a temporary halt on this. But the halt didn't last long. We achieved a step change in performance over FY21 with a 19% uplift in underlying profits. Then, prior to lockdown in mid-August, YTD FY22 has seen monthly operating results tracking comfortably ahead of run rate profit levels in the second half of FY21.

Given the lift in performance in the first 4 months of the financial year we were well on track to achieving at least a 15% uplift in profits for FY22. However, our short-term performance will now be impacted by the level and duration of Covid-19 restrictions on trading. It is good to see our branches outside of Auckland now returning to Level 2 restrictions, and we are hopeful we will see Auckland move down levels in the next few weeks. Our nationwide geographic diversification is helpful at the moment, as it was in previous Auckland-centric lockdowns.

What I do want to be clear about is that this latest lockdown doesn't change our medium-term view on the prospects for Turners. At the annual results announcement in May, we put out a marker for our 3 year growth plans. We aim to deliver a further 31% growth in underlying profits to \$45m profit before tax in FY24. If anything, we feel even more confident on this medium-term target given how the businesses performed heading into this lockdown.



Our performance and sustainability of profits is being reflected in our growing dividend stream.

We declared a final dividend of 6.0 cents per share - slightly above our published guidance, which resulted in a record pay out for shareholders in FY21 of 20 cents per share.

We intend to maintain our current dividend policy – 60% to 70% of NPAT – in the year ahead to ensure the business is being supported in funding its growth opportunities.

Based on last year's dividend of 20 cents per share and a share price of \$4.50 this produces an attractive gross yield of 6.2%. This is a major attraction for shareholders and personally for me as well.

**Why I continue to believe in this business ...**

<b>Why I invest...</b>	<b>Competitive advantages...</b>
<ul style="list-style-type: none"><li>• Yield we are generating for shareholders</li><li>• Opportunity for growth in all businesses</li><li>• Consistency of earnings improving</li><li>• Latent value in the property portfolio</li><li>• People and culture of Turners Auto Group</li></ul>	<ul style="list-style-type: none"><li>• High trust "Turners" brand</li><li>• Biggest buyer and seller of cars in NZ</li><li>• Unmatched national footprint</li><li>• Diversified sources of cars</li><li>• Agility in finance and insurance systems</li><li>• Technology capability and data advantages</li></ul>

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I thought it might be useful for other shareholders and prospective shareholders to understand why I believe in the company so much. I recently increased my holding and now own over 7% of the shares in Turners. I enjoy being involved in this business and plan on continuing as a long term holder.

I love the yield we are generating through dividends, and the fact we pay these out quarterly is a real positive. There is significant growth opportunity across all our businesses but particularly within Auto retail and the Finance business.

With the growth we have experienced in finance and insurance our earnings consistency has really improved over the last few years.

We're also creating some significant value in our property portfolio which currently sits off balance sheet. Todd will go into this further but we have conservatively another \$14m in unrealised property gains and more to come as we make further investments.

This business is extremely well run. The culture is very positive, and at all levels of the organisation we see committed and engaged people. I know this is something Todd focuses on right across the business.

The business is well positioned from a competitive perspective and our strategic focus is designed to make these advantages grow bigger.

Our brand strength is a massive asset. Turners stands for trust in a market that is known for mis-trust.

We are the biggest buyer and seller of cars in NZ. Our network reach is unrivalled which gives us economies of scale and an ability to be closer to our customers.

Our business is diversified in terms of earnings, geography and for vehicle sourcing. We've also made significant investment to ensure we have agility within our finance and insurance systems. This means we can react and take advantage of opportunities quicker than our competitors.

We are going to continue to invest heavily in digital.

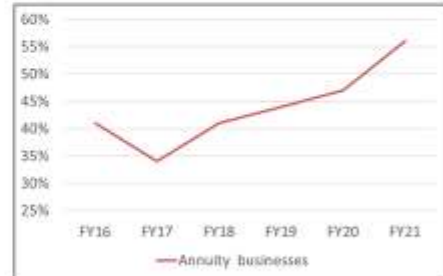
And we're a big player in highly fragmented market which means we have the means to do things others can't, particularly in the data and digital space.

## Resilient and well placed for an uncertain environment

The business has strong geographical and earnings diversification and will perform strongly once we return to more normal operating conditions

1. Used car market is resilient – strong sales expected out of lockdown
2. Diversified business – geographic diversity and earnings diversity (annuity earnings more than 50% of profits)
3. High “trust” brands – consumers move to high trust brand in times of uncertainty
4. Digital is a competitive advantage – well positioned to deliver online
5. Business has a strong balance sheet and supportive banks

Annuity business profits as a % of total operating profit



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It is important to reflect and remind ourselves what has happened with the previous lockdowns over the last 18 months. We have built a resilient business group that is robust even in difficult market circumstances. We also know that once these restrictions ease up that customers return to normal very quickly.

We know the used car market 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.

Our business has geographical resilience...no more highlighted than the exact situation we find ourselves in today. Also our higher level of annuity earnings helps mitigate some of the short term interruptions in vehicle sales due to COVID level restrictions. This reduces risk, and also provides stability in terms of earnings and dividends.

Our high trust brands resonate with consumers, particularly in times of uncertainty.

Digital investment will continue to be a competitive advantage and we know there is lots more we can do in the future to drive that advantage home.

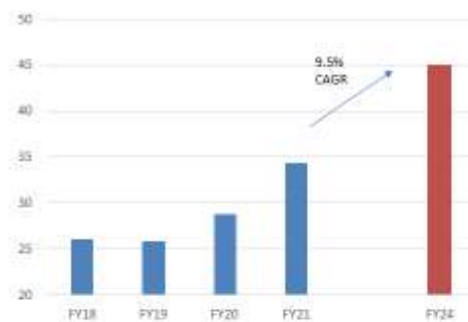
Lastly we have a strong balance sheet and the business is well funded and well supported by our banks ASB and BNZ.



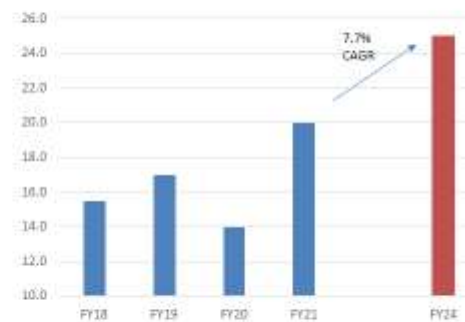
## Performance: Line of sight on where we're going

Over three years we target 31% growth in Underlying NPBT<sup>1</sup>

Underlying Net Profit Before Tax (\$M)<sup>1</sup>



Dividends Paid (cps)



Underlying NPBT is a non-GAAP measure

<sup>1</sup> Reported NPBT (\$m) for FY18 31.1, FY19 29.0, FY20 29.1, FY21 37.4. Reconciliations for each of the periods can be found in the respective Annual Results Presentation

This is a target and achievement w/o; depend on various factors some of which will be outside of our control.

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We reached an inflection point mid-way through FY20 and since then we have seen a step change in the business. The key strategic investments, initiatives and changes that have been completed over the last 3 years are delivering.

We're very happy with the momentum and the plan and feel very confident there is much more to come. Todd shared the FY24 plan at the Annual Results presentation in May. We felt it was important to give some insight to shareholders how we were thinking about the growth trajectory internally and which divisions the growth will come from.

Based on our plans and the results we're seeing we are very confident that in less than 3 years we'll see Profit before Tax of \$45m, and a dividend payout of around 24cps based on current dividend policy. The team are very focused and driven around achieving this goal.

Of course I do have some aspirational goals of my own. About 5 years ago I went to a management meeting and one of the guys asked me what my goals were for the company. I always like to set ambitious goals so my off the cuff reply was I want three things starting with a five.

A \$5 share price

\$50m profit before tax

Break into the NZX 50

Obviously we're not there yet. But we're pushing!

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

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

We are confident in our growth plans and are already seeing significant traction from the investments and initiatives we have put in place.

Our improving business performance will enable us to continue to deliver a growing and sustainable yield to shareholders.

Before I hand over to our CEO Todd Hunter to review operations and strategy for each business unit in more detail let's have a quick look at the latest brand advertisement from Tina...

**We love cars**



**[MOVE TO CEO PRESENTATION]**

## [.. THEN CHAIRMAN RESUMES CONTROL OF THE MEETING]



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?

[Questions]

OK with that, I'll move onto the formal part of the meeting.

## Resolutions

### ORDINARY RESOLUTIONS:

- **RESOLUTION 1:** That Baker Tilly Staples Rodway be reappointed as auditors of the Company and that the Directors be authorised to fix the auditors' remuneration.
- **RESOLUTION 2:** That Paul Byrnes, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company until 18 February 2022.
- **RESOLUTION 3:** That Martin Berry, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.
- **RESOLUTION 4:** That Antony Vriens, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.

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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 four 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 auditors' remuneration.

**RESOLUTION 2:** That Paul Byrnes, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company until 18 February 2022.

**RESOLUTION 3:** That Martin Berry, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.

RESOLUTION 4: That Antony Vriens, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.

We believe that having Directors with relevant industry, commercial and governance skills is essential for the continuing success of the Turners' group. Diversity of thought in particular and broader commercial acumen, are also taken into consideration by the Board when reviewing Board membership.

We currently have Directors with hands on experience in the finance, insurance and debt management sectors as well as Directors with expertise in governance and very diverse experience and entrepreneurial skills in sales, marketing and business growth.

Before handing over to Paul I did want to say a few words about Paul's contribution to the company, given he will be stepping down from the board in February 2022. Paul joined the board in February 2004 – almost 18 years ago and he's had a huge influence on the company during that time. Paul is a highly skilled director with broad business experience. He has experience as a director in other companies, experience in chief executive roles as well as managing his own private investments. He's also a chartered accountant by profession.

There have been a few highs and lows over those 18 years. The company had a very difficult time after the GFC. We were losing money and even lost our CEO. Paul stepped into the breach as acting CEO and ended up staying in the role for 8 years until we appointed Todd. Those were very tough times and without Paul at the helm we may have well not have got through.

Paul also led or was involved in a number of acquisitions including the Turners Auctions business and the Oxford Finance business, as well as Autosure Insurance – all of which have turned out to be fantastic buys and are the foundation of the business you see today.

Some of the acquisitions were quite complex with some creativity required to get the transaction over the line.

At board level Paul has always been extremely thorough and well prepared and been an integral part of our growth story. As a board we do have some robust discussion from time to time - and Paul is often at the forefront of those discussions. He does have strong views but they are always well thought out and always help get us to the right answer. At a personal level I have a great deal of respect for what Paul has achieved in his business career and contributed to the company, and wish him all the best with whatever he chooses for his future.

I will invite Paul Byrnes, Martin Berry and Antony Vriens to speak to the meeting in support of their re-election. If you have any questions in regard to the resolutions, please send them now.

Let's start with Paul and then move to Martin and Antony.

[TAKE QUESTIONS ETC AS APPROPRIATE]

## Voting

Resolution: Proxies	FOR	AGAINST	PROXY DISCRETION
Auditor's reappointment / remuneration	19,268,037	36,000	2,807,113
Re-election of Paul Byrnes	18,907,955	391,926	2,823,869
Re-election of Martin Berry	19,197,799	22,383	2,822,968
Re-election of Antony Vriens	19,191,211	28,971	2,822,968

Total proxies received in respect of 22,129,150 shares representing 25.71% of total shares on issue.

Voting on each resolution will be by way of poll.

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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 25.71% 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.

**[WAIT FOR 60 SECONDS IF THERE ARE NO QUESTIONS]**

Voting is now closed.

The results of today's voting will be posted to the NZX as soon as possible.



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



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

I therefore call the 2021 annual meeting of shareholders closed.

Thank you all for your attendance today and most importantly, your ongoing support. We very much value our loyal shareholder base and welcome your feedback.

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 prosper and as we discussed we are very confident about our future trajectory.

**ENDS**

