

Turners Limited

Company overview

Introduction to the Turners leadership team

GRANT BAKER

Chairman

- Chairman of Turners since 2009
- Executive Director of Trilogy International
- Partner in the Business Bakery LP
- Major shareholder (circa 20%) combining personal holdings and Business Bakery shares

**TODD HUNTER**

Chief Executive Officer

- CA with Ernst and Young
- Nine years with Microsoft in a range of commercial, marketing and sales roles
- Joined Turners Auctions in 2006, appointed CEO in 2013
- Appointed COO of Turners Limited (previously Dorchester Pacific) after 2014 buyout
- Newly appointed as CEO Turners Limited, effective 1 June 2016

History of Turners Limited

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



1967

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

Dorchester
Finance
DPL
Insurance

1984

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

Turners.
LIMITED

2014

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

Turners Limited overview

- Turners Limited (NZX:TNR) is NZ's largest vehicle and machinery retailer
 - highly fragmented market with Turners holding less than 10% share
- Turners also operates a highly profitable and integrated financial services business primarily focused on the automotive sector
 - significant cross-sell of finance and insurance products to the automotive retail business
 - businesses also operate standalone, generating independent earnings streams
 - strong capability in debt management services (including non-automotive)
- Turners is a household name with strong brand qualities and recognition
- National distribution network including 27 branded Automotive Retail sites (including Buy Right Cars) and a third party dealer network of 500 sites
- There are significant opportunities for Turners to grow its market share across automotive retail and finance

Market capitalisation¹ NZ\$195.3m

**FY16 operating revenue
NZ\$171.2m²**

FY16 NPBT NZ\$21.6m²

FY16 NPAT NZ\$15.6m²

**~36,500 vehicle units or machinery
items sold in FY16**

~11,000 loans written in FY16

**~10,000 insurance contracts
written in FY16**

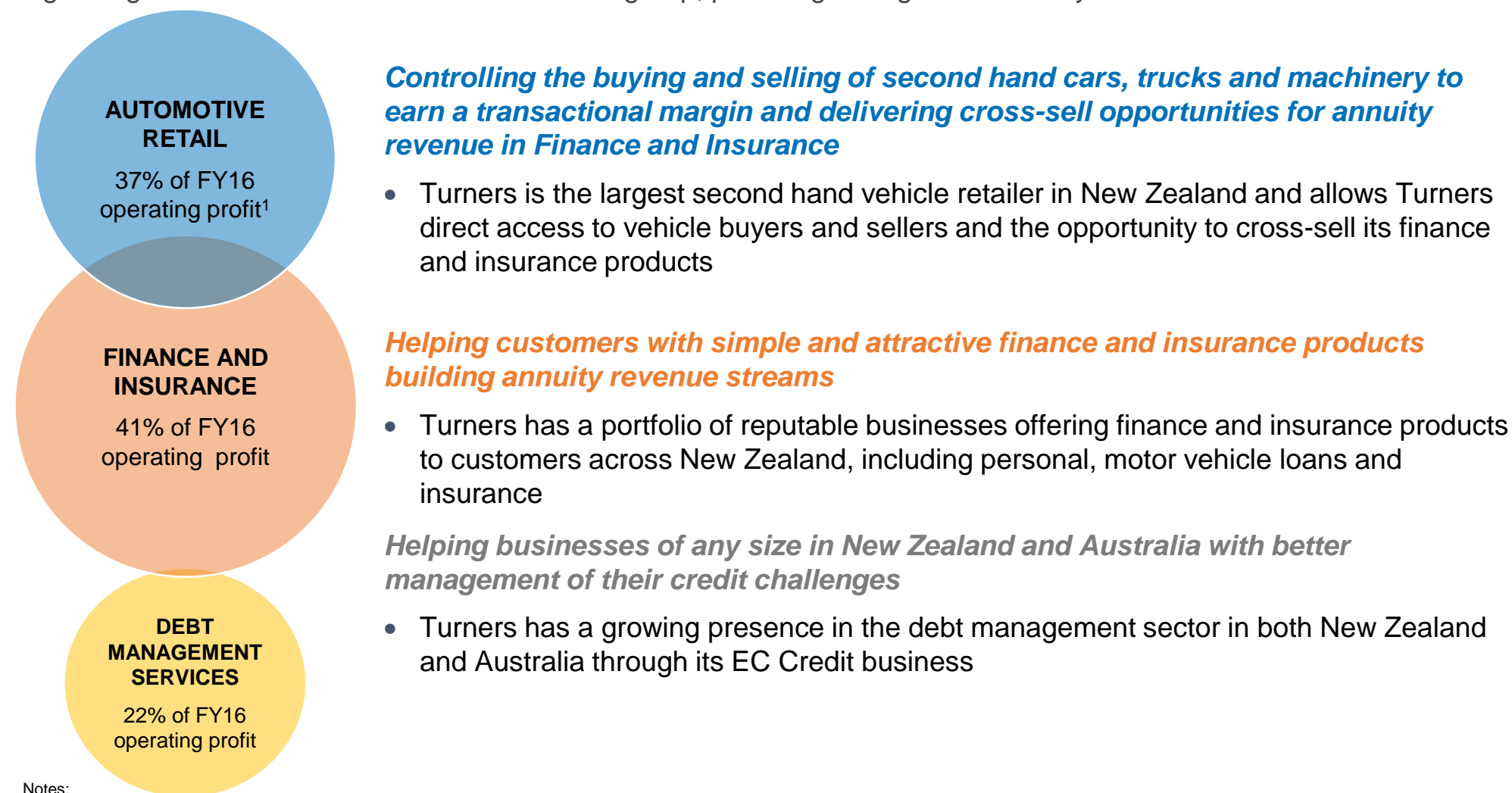
Notes:

¹ As at 31 August 2016

² FY16 Operating revenue, NPBT and NPAT numbers do not include contribution from Buy Right Cars

A growing integrated automotive financial services group

A growing automotive focused financial services group, providing strength in three key areas



Notes:

1 Automotive Retail contribution to group operating profit excludes Buy Right Cars contribution

Key business strengths

- 1 *Leading market position in core business, automotive retail, provides new business opportunity across the group for transactional margins and annuity finance and insurance revenues.*

- 2 *Used vehicle sales is a growing industry, and the high level of industry fragmentation presents an opportunity for Turners to consolidate*

- 3 *Opportunity to grow share in all operating sectors, from organic growth, integration opportunities through cross-selling of finance and insurance products and M&A activity*

- 4 *Strong capital structure and ability to fund acquisitions with balance sheet headroom, bank funding and new equity*

- 5 *Sustainable growth strategy is delivering increasing shareholder value with track record of improving financial results*
 - *growing dividend pay-out with move to quarterly dividend payments in FY17 (from Sept 16)*

- 6 *Experienced management team with oversight from professional and engaged Board of Directors*

Industry dynamics – used vehicle sales

In 2015 the average age at which light vehicles were scrapped from fleet was 19.2 years for Import and 18.7 years for NZ New, implying the peak of mid-90's imports are nearing scrap time

Aging vehicle population will need to be replaced

Age of light fleet in New Zealand as at December 2015

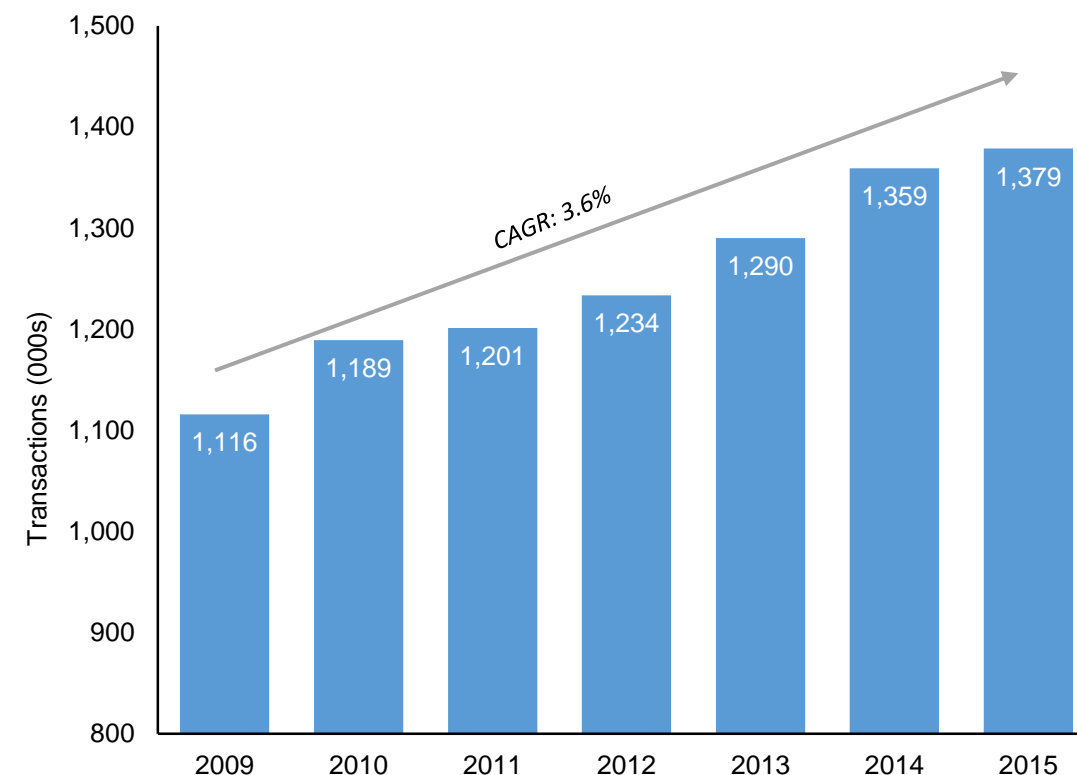
Up to 1 year old	3.7%
Up to 2 years old	7.2%
Up to 3 years old	10.4%
Up to 4 years old	13.3%
Up to 6 years old	18.5%
Up to 8 years old	24.7%
Up to 10 years old	34.8%
Up to 15 years old	59.1%
Up to 20 years old	80.3%

*20% of New Zealand's
~3.5m cars in operation
are aged 20 years or
over, implying ~700k will
need to be replaced in
the near term*

Source: NZTA

Used vehicle sales have grown well in recent years

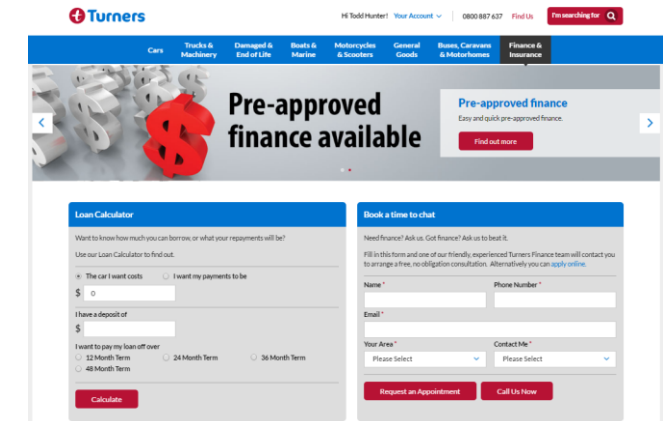
Used vehicle transactions in NZ (including deregistered vehicles and trucks)



Source: NZTA

Industry dynamics – used vehicle financing

- The used vehicle financing market is very fragmented
- Approximately 80% of used vehicles purchased are financed through mortgage extension, car loans, personal loans, hire purchase and finance leasing
- In the space we directly operate in (vehicle / car finance) we estimate there are approximately 350,000 transactions per year
- Highly competitive market with dealerships commanding approximately 4% - 6% in margin commission for originating finance opportunity (non-recourse lending)
- Technology playing a bigger and bigger role in terms of credit scoring and approving applications.



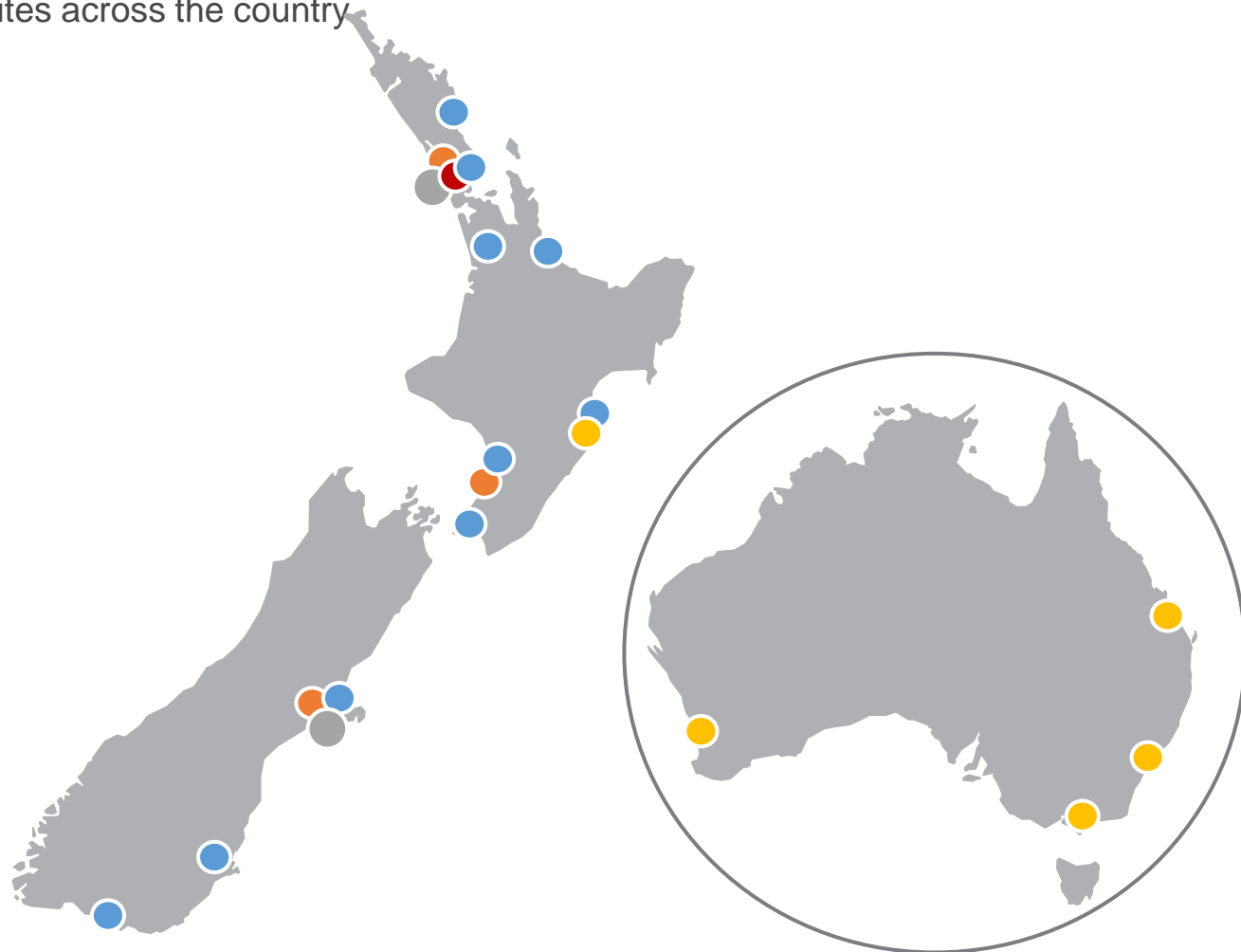
The screenshot shows the Turners website interface. At the top, there's a navigation bar with the Turners logo and various menu items like 'Cars', 'Trucks & Machinery', 'Damaged & End of Life', 'Boats & Marine', 'Motorcycles & Scooters', 'General Goods', 'Buses, Caravans & Motorhomes', and 'Finance & Insurance'. Below the navigation bar, there's a large banner with the text 'Pre-approved finance available' and a 'Find out more' button. To the left of the banner, there's a 3D graphic of a red dollar sign. Below the banner, there are two main sections: 'Loan Calculator' and 'Book a time to chat'. The 'Loan Calculator' section has a form with fields for 'The car I want costs', 'I want my payments to be', 'I have a deposit of', and 'I want to pay my loan off over'. The 'Book a time to chat' section has a form with fields for 'Name', 'Phone Number', 'Email', 'Your Area', and 'Contact Me'.

A growing national footprint

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

Turners Limited is rapidly expanding its footprint across New Zealand through acquisitions and by expanding its existing business

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



Turners Limited - financial snapshot

Turners has achieved significant growth via both organic and M&A initiatives

NZ\$m, 31 March year end	2015	2016	Growth
Operating revenue	90.2	171.2	90%
Interest income	21.0	29.6	41%
Net profit before tax	19.0	21.6	13%
Net profit after tax	18.1	15.6	-14%
Finance receivables	142.8	167.6	17%
Total assets	329.0	362.3	10%
Net assets / Shareholder Funds	121.0	129.8	7%
Net Debt	144.7	161.0	11%
Net Debt (excluding Finance receivables funding)	33.6	34.6	3%
Net Debt / (Net Debt + Equity) - Excluding finance receivables funding	22%	21%	
ROE ¹	11.5%	12.0%	
Dividend per share	\$0.10	\$0.13	30%

Note:

1 ROE calculated as "normalised" net profit after tax assuming full tax paying position for 2015 financial year (\$14.0m)

1 Automotive Retail

- Turners is the leading second hand car, truck and machinery retailer in New Zealand
- Vehicles sold on behalf of owners (60%) and Turners owned vehicles (40%) with average vehicle held for less than 45 days
 - Buy Right Cars has a longer holding period due to its higher margin model
- The business provides the wider Turners group with access to a highly targeted customer base at source, to whom finance and insurance products can be sold
- Despite having the number one market position, Turners holds less than 10% share of highly fragmented used vehicle market
- Turners has recently completed the acquisition for Buy Right Cars to grow its bricks and mortar footprint and is also growing its online presence through initiatives such as Cartopia
- Turners relationship with other car dealers allows it to identify high quality scale businesses it may wish to acquire

Financial highlights

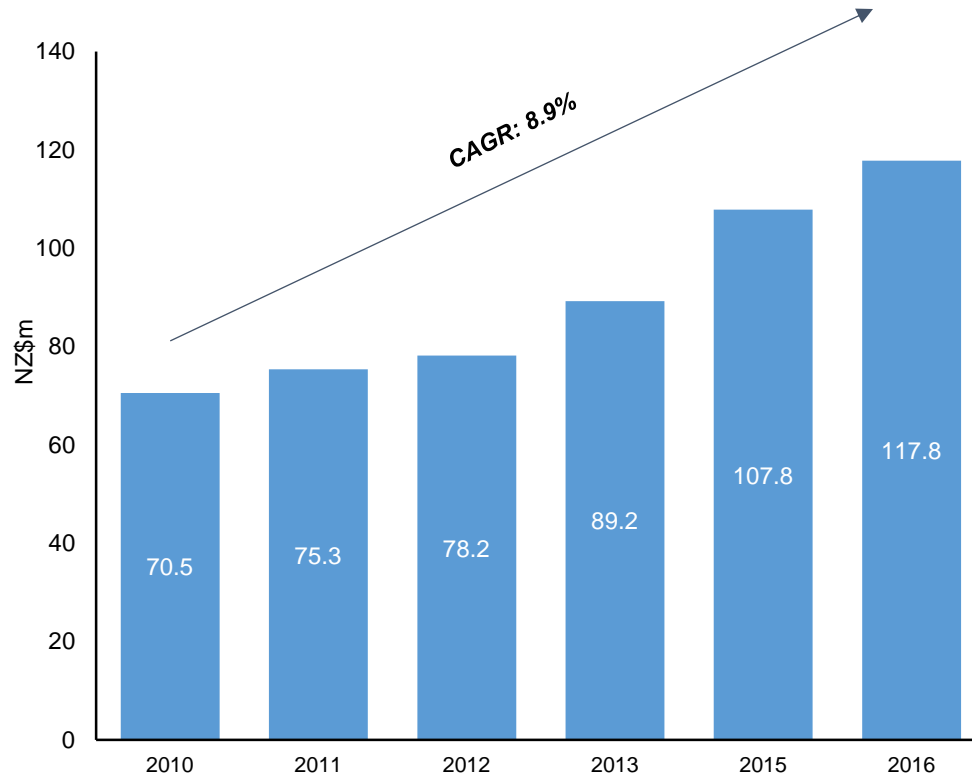
NZ\$m	2015 (15 months)	2015 (12 months)	2016 (12 months)	Growth
Total Revenue	131.3	107.8	117.8	9%
Interest income	7.6	6.3	7.3	16%
Net profit before tax	8.4	6.9	10.0	45%

Source: Turners Annual Report 2016, Turners Group NZ Financial Statements 2015

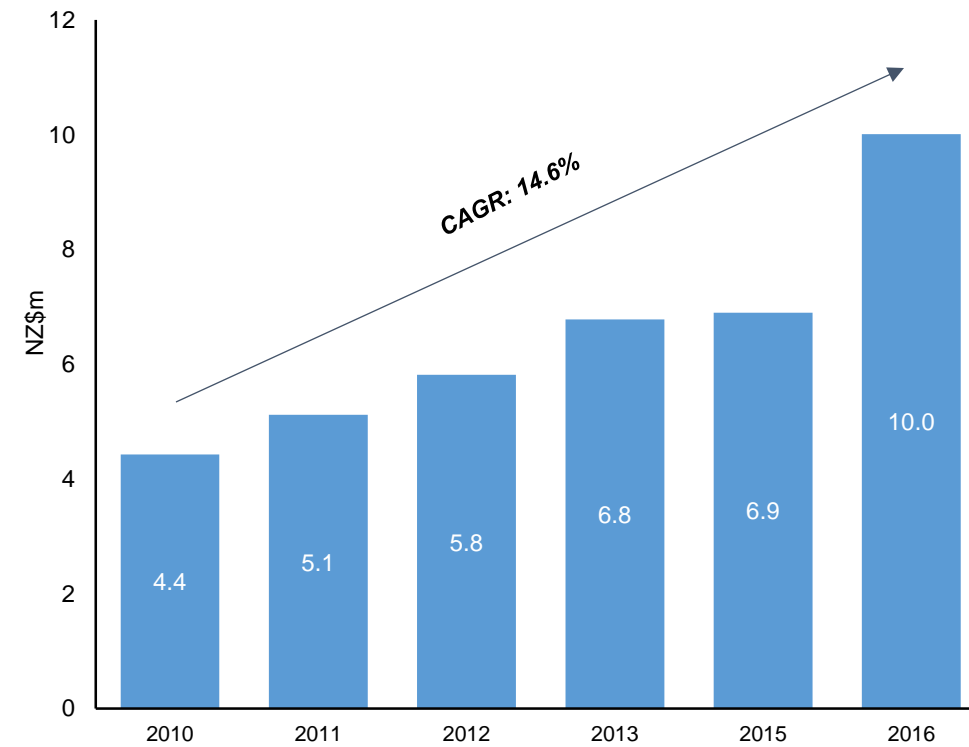
Note: Turners Group NZ changed its reporting date to 31 March in 2015 when it was acquired by Dorchester in 2014 and, as such, did not release December 2014 accounts

1 Automotive Retail – financial track record

Revenue



Operating profit



Source: Turners Annual Report 2016, Turners Group NZ Financial Statements 2015

Note: Turners Group NZ changed its reporting date to 31 March in 2015 when it was acquired by Dorchester in 2014 and, as such, did not release December 2014 accounts

1

Automotive Retail – customer origination and cross-sell



1. Originating the transaction

- Trusted household brand name and relationships
- National network of 27 branches (incl. Buy Right Cars) and 420 employees
- Customer (vendor) provided option of buy now / pay now or sell on behalf of
- Diverse segments – cars, trucks, machinery, marine, motorcycle, bus



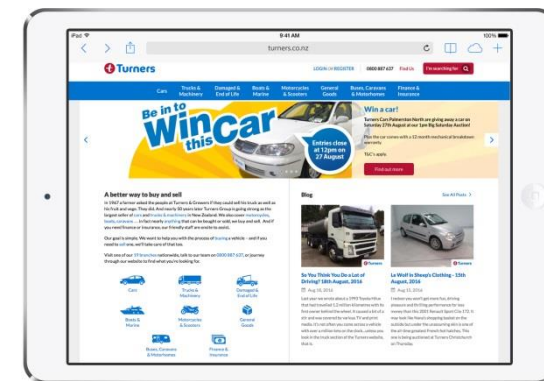
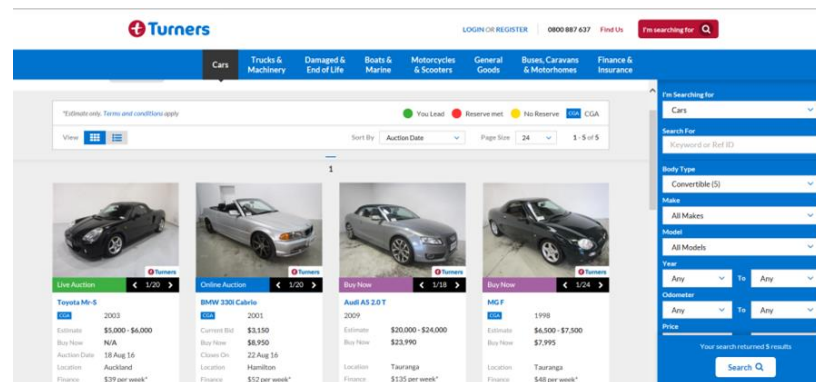
2. Platform for buyers and sellers

- Multiple distribution channels and products creates significant buyer / seller reach
- Online auction platform – classifieds and live auctions
 - Turners.co.nz is second in terms of site traffic for users intending to purchase a used car
- Physical store platform utilising national branch network
- Service excellence – simple and fast process



3. Finance & Insurance cross-sell

- Broad customer (purchaser) product suite to capture additional business at point of transaction
- Online approvals with own funding capability
- High quality credit check process
- Customer centric technology



Select acquisition case study: Buy Right Cars

- Buy Right Cars is a leading Auckland based used motor vehicle import and dealership network
 - the acquisition significantly increases Turners' footprint in the key Auckland market where it was previously underweight relative to its market share in other regions
 - Compliance and Service Centre adds capability
- Turners Limited acquired Buy Right Cars in July 2016 for total consideration of \$15.3m plus stock
 - approximately \$6m of the consideration will be determined by an earn-out mechanism
- The large percentage of Buy Right Cars sales which are financed creates further cross-sell opportunities for Turners' Finance and Insurance businesses
- Turners currently expect Buy Right Cars to contribute PBT in excess of \$4m in its first year of operation under Turners' ownership with additional synergies anticipated
- The acquisition presents an opportunity to realise economies of scale for Turners – in supply chain and back office operations



Why we like investing in car dealerships:

- ✓ Highly fragmented market
- ✓ Typically provide strong returns on equity
- ✓ Cross-sell opportunities provide synergies
- ✓ Economies of scale through supply chain and back-office amalgamation

2 Finance and Insurance

- Finance and Insurance business products include:
 - a range of personal and commercial finance solutions; and
 - mechanical breakdown and motor vehicle insurance as well as life and other non-life insurance products
- Full Insurance licence from RBNZ for all Insurance brands is held by DPL Insurance which has a financial rating of B+ from A.M. Best
- The majority of lending (75%) is for secured motor vehicle loans to consumers, arranged both directly and through dealers and brokers
- Turners has a clear focus on further developing its large business referral network predominantly made up of car dealers (~500)
- In addition, Turners' shareholding in Motor Trade Finance (NZX:MTF) increased to 8% in FY16, reflecting Turners commitment to the MTF business
 - Turners currently writes around 10% of new loans MTF originates
 - Turners are working with MTF on a partnership to expand their finance offering
 - Turners also benefits from MTF's growing distribution network
- Increasing focus on cross-selling across the wider Turners group
- Finance receivable funding a mix of bank debt, bonds and shareholder funding

Financial highlights

NZ\$m	2015	2016	Growth
Interest income	17.4	22.0	26%
Other revenue	9.1	13.0	43%
Net profit before tax	6.8	11.2	65%
Net interest margin	13.2	17.6	33%

Source: Turners Annual Report 2016

Why we like finance and insurance:

- ✓ Annuity revenue streams
- ✓ Good spread of risk
- ✓ Strong synergies with automotive retailing

Finance and Insurance – product offering

Finance	
Vehicle finance	<ul style="list-style-type: none"> Flexible term, pre-approved financing to give the borrower the benefits of being a cash buyer when buying cars, motorbikes, trucks and boats
Business finance	<ul style="list-style-type: none"> Secure business loans to fund plant and equipment, vehicle, property and marine acquisitions

Insurance	
Vehicle insurance	<ul style="list-style-type: none"> Consumer vehicle and loan protection related insurance products distributed via the motor vehicle sales and finance industry including car insurance and mechanical breakdown insurance
Life insurance	<ul style="list-style-type: none"> Funeral Plan and Guaranteed Acceptance Term Life Insurance products distributed through intermediated Agents and direct via digital and database marketing

3 Debt Management Services

- Turners owns EC Credit, a recognised leader in debt collection and credit management services
 - recognised as major player for corporate collections in New Zealand; growing reputation in Australia
- EC Credit has contracts engrained with large corporates including banks, government departments, insurance and other sectors
- Total revenues split 60:40 between New Zealand and Australia
- Turners Finance and Insurance can refer its bad debt collection to EC Credit, however, the extent of this cross-sell opportunity is less than the other businesses in the Turners Group due to Turners' historically low bad debts
- Network of independent sales agents in addition to its own sales staff and contact centre (148 employees)
- Contingent debt collection (agency) model – EC Credit does not acquire books of bad debt using its balance sheet

Financial highlights

NZ\$m	2015	2016	Growth
Revenue	18.2	18.3	0.5%
EBIT	4.9	6.2	27%
Net profit before tax	4.9	6.0	22%

Source: Turners annual report 2016

Why we like debt management:

- ✓ Highly cash generative
- ✓ Little demand on capital
- ✓ Counter-cyclical offset for group

Growth opportunities

1

Automotive Retail

- continue to seek organic growth opportunities for Turners Group and acquisitions of quality businesses in retail, servicing, parts
 - continue to build on successful Turners Group multi-channel strategy and increasing focus on retail customers
 - opportunity in Trucks & Machinery: separation from traditional car business
 - footprint expansion and control of overheads through acquisition of property
-

2

Finance and Insurance

- increase dealer / broker footprint by leveraging relationship with MTF's growing network
 - increasing ability to cross sell financial and insurance products and services across the group
 - securitisation program to reduce funding costs
 - consolidate brands and back office
 - acquisition of quality bolt-on businesses to be considered
-

3

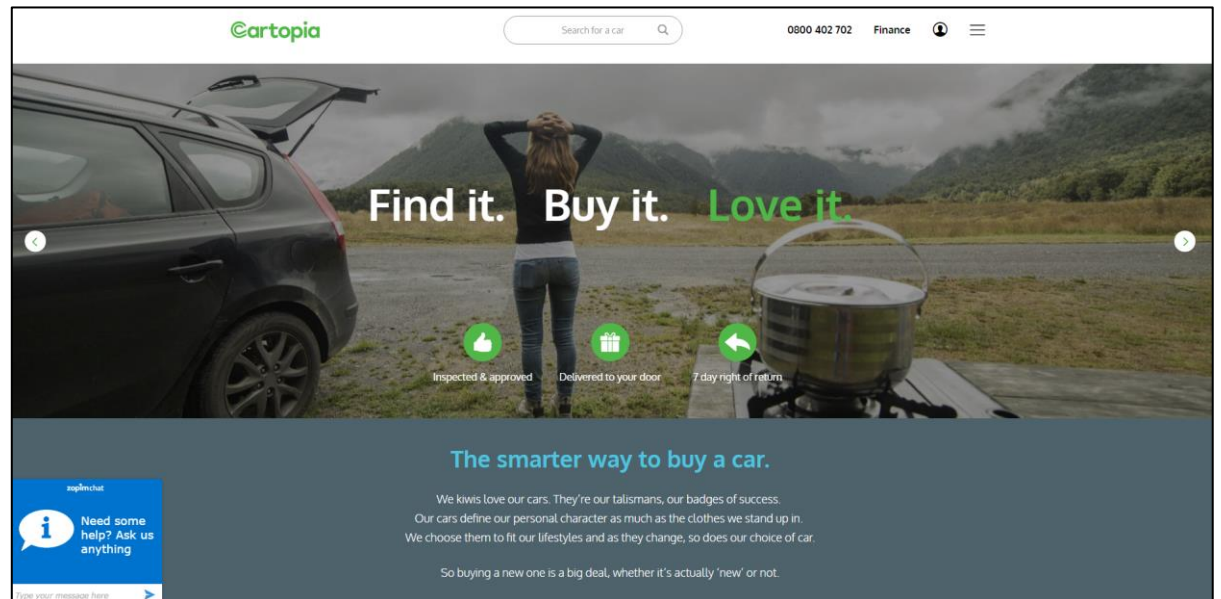
Technology Developments

- continue to develop online platform increasing cross-sell opportunities and connecting with a wider referral network e.g. Cartopia and AutoApp

New initiatives: Cartopia

Digital disruption - new online-only car store developed by Turners Group

- Launch in late-September 2016
- Expected to be first of its kind in NZ market space
- Delivers a premium e-commerce experience for customers
 - no-pressure browsing experience for the customer
 - No haggle (compelling) pricing
 - high quality, transparent, vehicle descriptions
 - 7 day right of return period for added peace of mind
- Takes advantage of growing popularity of online-only car purchases
- Leverages Turners Group's existing infrastructure, processes and capability
- Extends Turners' nationwide bricks and mortar presence online

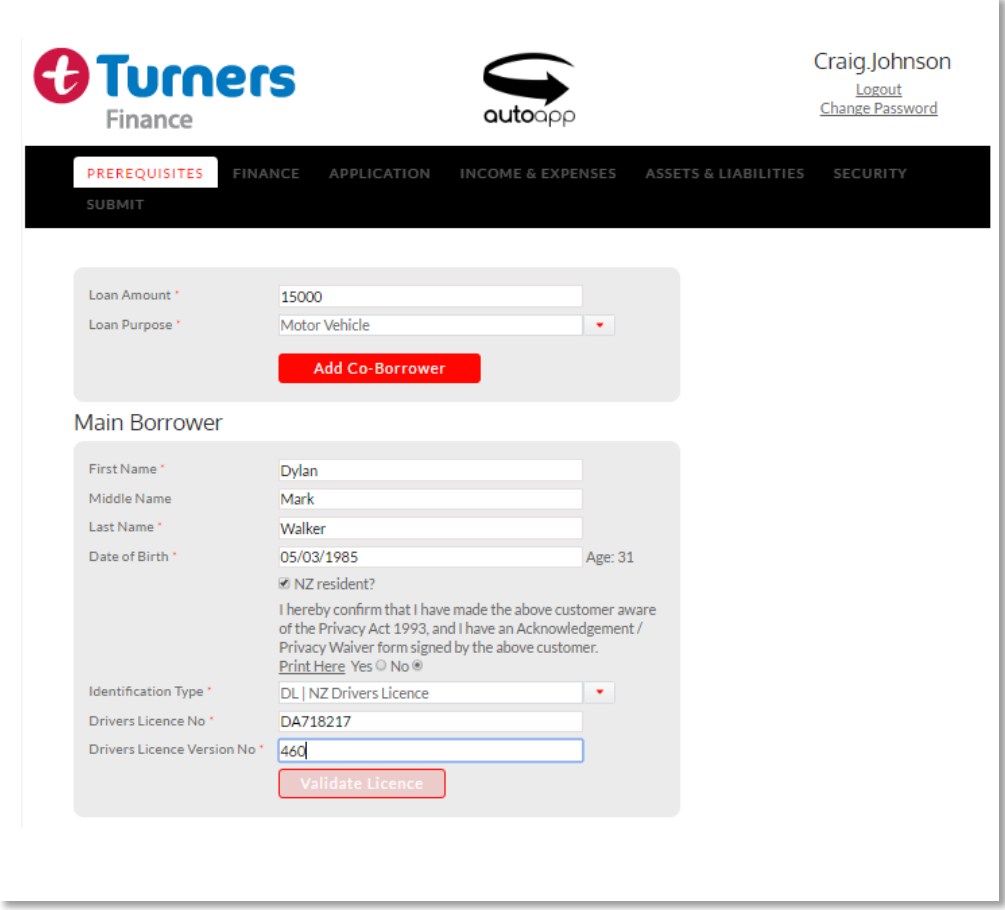


Cartopia

New initiatives: Auto App

New online loan approval platform developed by Turners

- Fast turnaround on loan approval
- Smart device enabled (tablet and smartphone)
- Launched internally in May 2016, to be rolled out across Turners' finance channel in H2 2016
- Delivery of internal efficiencies and better customer experience for dealers/brokers

The screenshot displays the Turners Finance Auto App interface. At the top, the Turners Finance logo and the Auto App logo are visible, along with the user name 'Craig Johnson' and links for 'Logout' and 'Change Password'. A navigation bar includes tabs for 'PREREQUISITES', 'FINANCE', 'APPLICATION', 'INCOME & EXPENSES', 'ASSETS & LIABILITIES', and 'SECURITY'. The 'PREREQUISITES' tab is active, showing a 'SUBMIT' button. The form includes fields for 'Loan Amount' (15000) and 'Loan Purpose' (Motor Vehicle), with an 'Add Co-Borrower' button. Below this is the 'Main Borrower' section, which contains fields for 'First Name' (Dylan), 'Middle Name' (Mark), 'Last Name' (Walker), and 'Date of Birth' (05/03/1985, Age: 31). It also has a checkbox for 'NZ resident?' and a confirmation statement. The 'Identification Type' is set to 'DL | NZ Drivers Licence', with fields for 'Drivers Licence No' (DA718217) and 'Drivers Licence Version No' (460), and a 'Validate Licence' button.

Existing Bonds

2014 Bond Issue

In 2014, Turners issued 2 year convertible bonds, coming to maturity on 30 September 2016

Expecting approximately \$17m of bonds to exercise conversion option (lower of \$3 per share or 5% discount to 90 day VWAP)

Anticipated conversion price around \$2.95

New 2016 Bond Issue announced to replace the 2014 issuance (similar structure), attractive yield with option to convert

Key Terms of the Bonds

(PDS available on the Disclosure Register - www.business.govt.nz/disclose)

Issuer	Turners Limited
Instrument	Subordinated to certain bank debt and security as described in the PDS, fixed rate, convertible bonds
Tenor	2 years, maturing 30 September 2018
Issue Amount	Up to \$25,000,000 plus the ability to accept oversubscriptions up to \$5,000,000
Interest Rate	The Bonds will bear a fixed rate of interest of 6.5% per annum
Interest Payments	Quarterly in arrears in equal amounts on 31 March, 30 June, 30 September and 31 December of each year, commencing 31 December 2016
Conversion	<p>Bondholders will have the option to Convert any or all of their Bonds into Shares on the Maturity Date. Shares issued on Conversion will rank equally with, and be of the same class as, Turners' existing quoted Shares. The number of Shares into which each Bond may Convert is determined by dividing the Principal Amount by the Conversion Amount, which is the lesser of:</p> <ul style="list-style-type: none"> a) \$3.75; and b) a 5% discount to the 90 day VWAP
Purpose	The proceeds of this offer are expected to be applied towards repaying financing, including the interest bearing convertible bonds maturing 30 September 2016
Issue Price	Par (\$1.00)
Listing	Expected to be quoted on NZX Debt Market (ticker : TNRHB)
Application amounts	Minimum subscription amount is \$5,000 and multiples of \$1,000 thereafter
Investor Priority	First priority will be given to holders of Existing Bonds who have elected to convert their Existing Bonds into Shares, up to the principal amount of those converted Existing Bonds. Second preference will be given to holders of Existing Bonds applying through the Exchange Offer

Key Dates

Opening Date	22 August 2016
Turners AGM (Approval Date)	14 September 2016
Closing Date (Exchange and General Offer)	12pm on 23 September 2016
Issue and Allotment Date	30 September 2016
First Interest Payment Date	31 December 2016
Interest Payment Dates	31 March, 30 June, 30 September and 31 December in each year
Latest Date a Conversion Notice may be given	30 August 2018
Maturity/Conversion Date	30 September 2018

(Turners may vary the timetable at its discretion. If shareholders do not approve the issue at the AGM, the offer will be cancelled)

Turners.

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DISCLAIMER

Turners Limited (*company*) is solely responsible for the content of this document. This document is not a product disclosure statement and does not constitute an offer of financial products.

The company has prepared a product disclosure statement (PDS) dated 22 August 2016 in relation to the Bonds referred to in this document. The PDS and other useful information is available at www.business.govt.nz/disclose. Investors must obtain the PDS before they decide to acquire any Bonds.

This document or any other written or oral statements made by, or on behalf of, the company may include forward-looking statements that reflect the company's current views with respect to future events and financial performance. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to:

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

The words "believe," "anticipate," "investment," "plan," "estimate," "expect," "intend," "will likely result," or "will continue" and other similar expressions identify forward-looking statements. Recipients of this document are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.