



# Woodward Partners NZ Mid-Cap Spotlight

## 12 April 2017

Todd Hunter: Chief Executive Officer

# 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

# CONTENTS

---

- History and background
- Who we are / what do we do
- Recap on 28 March 2017 market update
- Opportunities

# HISTORY AND BACKGROUND

---



# 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

# CORPORATE STRUCTURE

## Board of Directors

- Grant Baker, Chairman
- Paul Byrnes, Executive Director
- John Roberts (Independent)
- Anthony Vriens (Independent)
- Alistair Petrie
- Matthew Harrison

## Major Shareholders (over 5%) as at 30 September 2016

- |                                     |        |
|-------------------------------------|--------|
| • Hugh Green Investments Ltd        | 18.97% |
| • The Business Bakery and interests | 16.32% |
| • Bartel Holdings                   | 9.04%  |
| • Harrigens Trustees Ltd            | 9.03%  |

(Executive Director Paul Byrnes holds 4.43%)

## CORPORATE STRUCTURE As at 10 April 2017

NZX Code	TNR
Current Market Cap	\$267M
Current Share Price	\$3.59
Securities on Issue	74,451,786

Share Price as at Monday 10 April 2017

# A GROWING NATIONAL FOOTPRINT

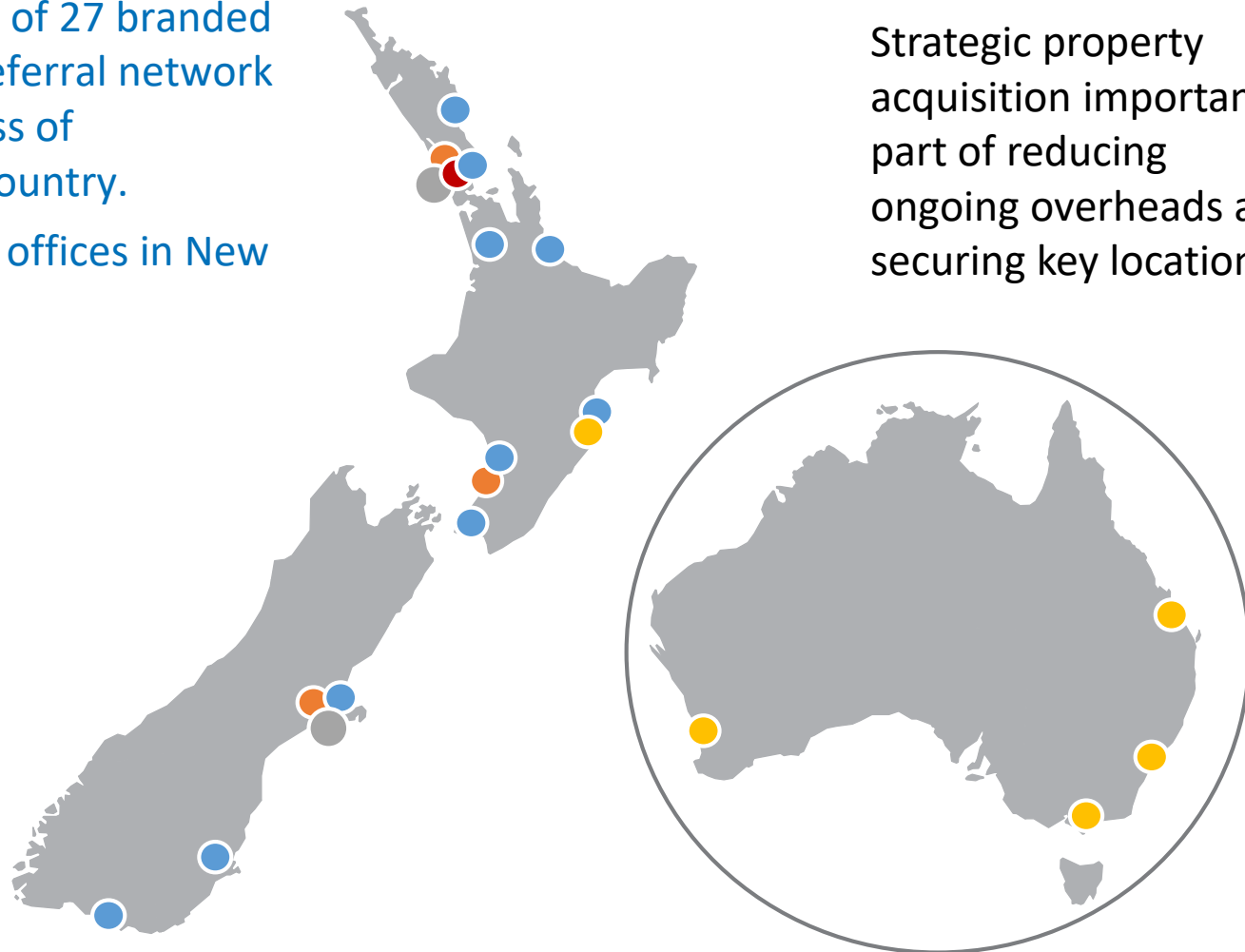
Rapidly Expanding Through Acquisition And Organic Growth

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.

Our Debt Management business has offices in New Zealand and Australia.

Strategic property acquisition important part of reducing ongoing overheads and securing key locations

-  **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*



# WHO WE ARE

---





# AN INTEGRATED AUTOMOTIVE FINANCIAL SERVICES GROUP

Primarily operating in the automotive sector and providing strength in three key areas:

## AUTOMOTIVE RETAIL

37% of FY16  
operating  
profit<sup>1</sup>

**Controlling the buying and selling of second hand cars, trucks and machinery to earn a transactional margin and delivering cross-sell opportunities for Finance and Insurance**

Turners is the largest second hand vehicle retailer in New Zealand

## FINANCE AND INSURANCE

41% of FY16  
operating  
profit

**Helping customers with simple and attractive finance and insurance products, and building annuity revenue streams**

Turners has a portfolio of reputable businesses offering finance and insurance products to customers across New Zealand, including personal, motor vehicle loans and insurance

## DEBT MANAGEMENT SERVICES

22% of FY16  
operating profit

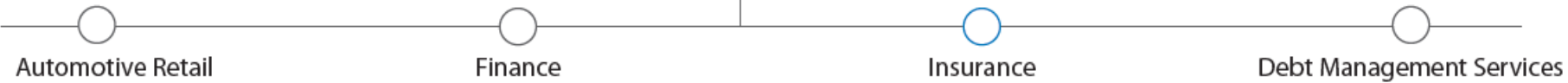
**Helping businesses of any size in New Zealand and Australia with better management of their credit challenges**

Turners has a growing presence in the debt management sector in both New Zealand and Australia through its EC Credit business

Notes: 1. Automotive Retail contribution to group operating profit excludes Buy Right Cars which was acquired post- year end

# Turners. LIMITED

Turners.  
LIMITED



Pacific Life Ltd.



# OUR STRATEGY IS FOCUSED ON GROWTH



**ORGANIC GROWTH:** Identify opportunities to grow each business: More customers, more products and services, more channels

**GROUP INTEGRATION:** Cross selling product across the group, and building a common operating and funding platform for the finance businesses

**MERGERS AND ACQUISITIONS:** Target businesses that build capability/scale and have sustainable earnings and growth potential

**OUR PEOPLE:** Invest into upskilling and rewarding our people to encourage them to strive for growth

# AUTOMOTIVE RETAIL

---







Under  
\$10,000  
→  
Turners

Under  
\$10,000  
→  
Turners

Turners  
Customer

Turners





 **Turners**  
Trucks & Machinery

**We buy, sell and finance trucks & machinery**



PROTECTED BY  
**NUTECH SECURITY**  
PH: 0800 608324







# AUTOMOTIVE RETAIL



36,500 vehicle units or machinery items  
sold in FY16

## NZ's leading second hand car, truck and machinery retailer

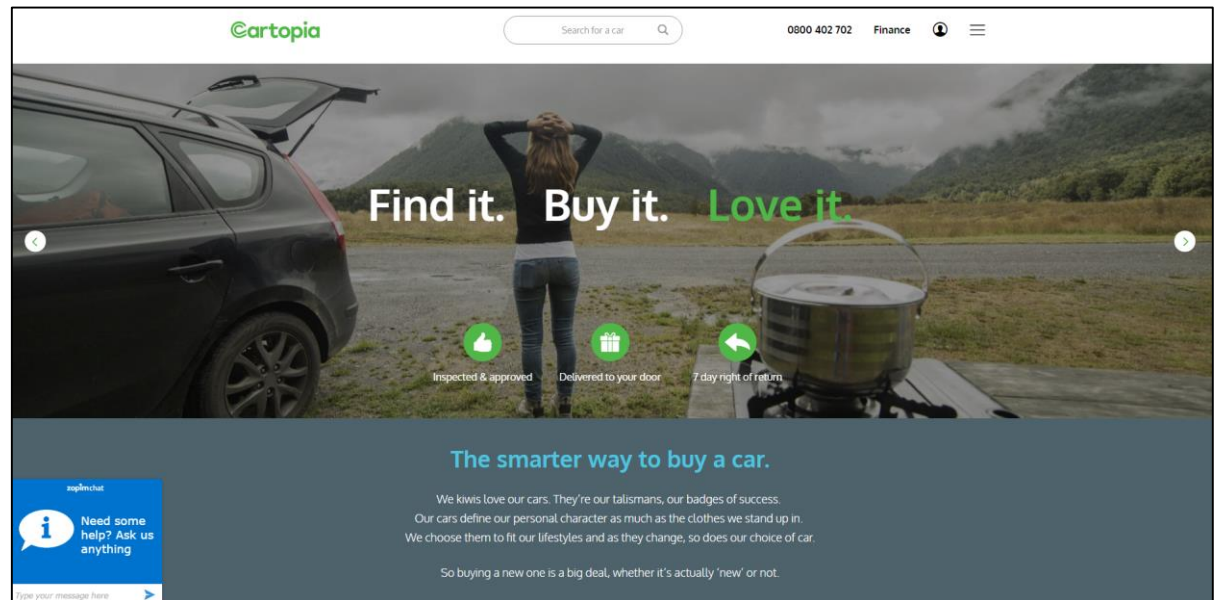
- Turners is a “household name” with strong brand qualities and position in the market
- A clear multi-channel strategy with increasing focus on retail/end user sales
- Vehicles sold on behalf of owners (60%) and Turners-owned vehicles (40%) with average vehicle held for less than 45 days. (Buy Right Cars has a longer holding period due to its higher margin model)
- 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



# NEW INITIATIVES: CARTOPIA

## Digital disruption - new online-only car store developed by Turners Cars

- Market leader, 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
- Leverages Turners Group's existing infrastructure, processes and capability



**Cartopia**



"Cartopia has certainly exceeded our expectations."

"...from start to finish, the purchase was a hassle-free experience. Everyone involved were very professional, helpful and prompt with any queries I had and when the car was delivered to me, it was exactly as I had envisioned it."

"I highly recommend Cartopia to anyone who wants to buy a car online that is efficient, trustworthy, and provides peace of mind with the 7 day return policy."

"I sort of knew what I wanted, jumped online to the website, searched around, found it, and now I've bought it! It couldn't have been easier."



# FINANCE AND INSURANCE

---



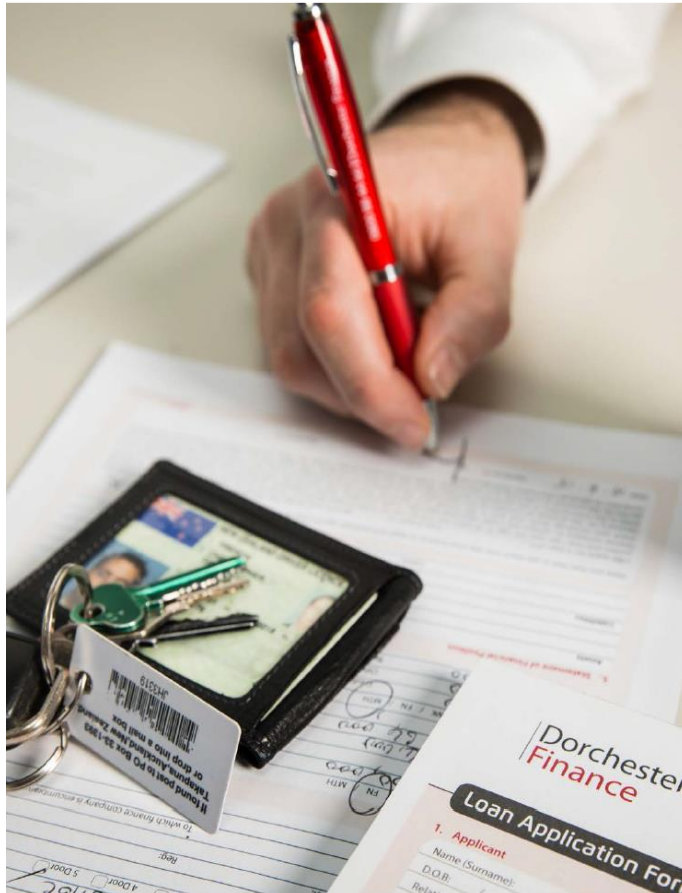




# Supermarket

[Click Here To View Cars](#)

# FINANCE AND INSURANCE



11,000 loans written in FY16

10,000 insurance contracts written in FY16

**Reputable brands and businesses providing flexible finance and insurance solutions for personal and SME customers as well as to dealers and brokers**

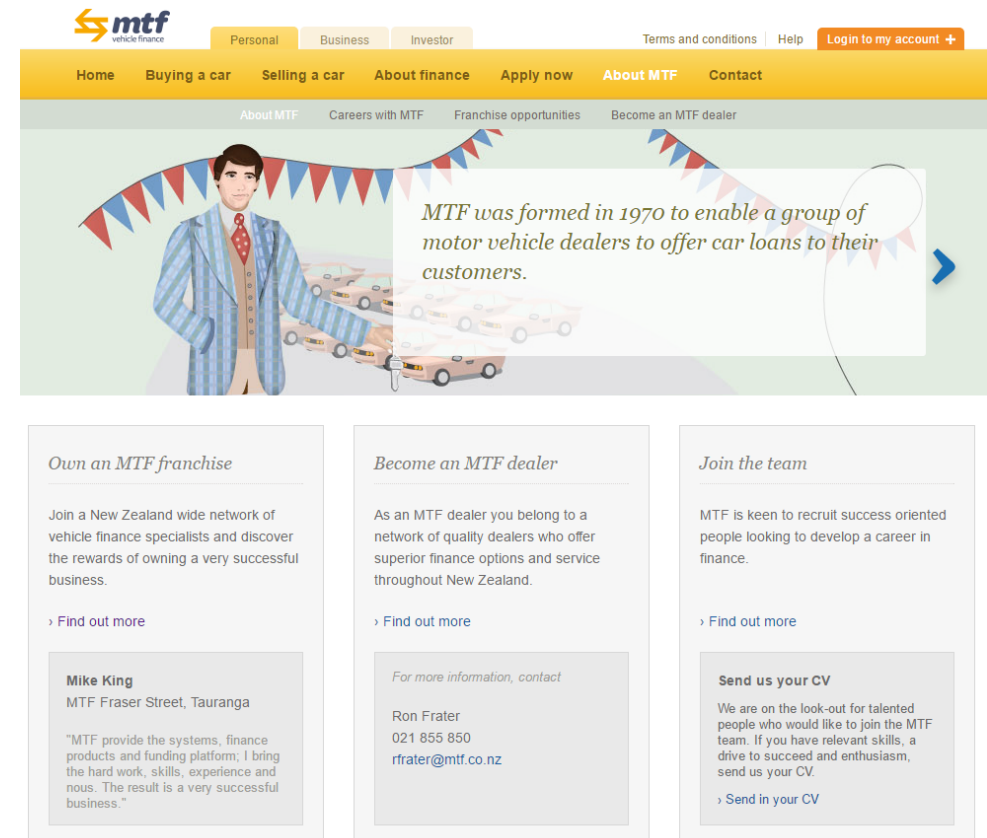
- Products include range of personal and commercial finance solutions; as well as mechanical breakdown and motor vehicle insurance, and life and other non-life insurance products
- Majority of lending is for motor vehicle loans to consumers (75%) arranged both directly and through dealers and brokers. The remainder is commercial lending for plant and equipment, property, working capital and leasing
- Combined finance book ledger approx. \$176M (\$143M March 15)
- Finance receivable funding is a mix of bank debt, securitisation and shareholder funding
- Now 8% shareholder in MTF – announced exclusive partnership with MTF to provide a non-recourse lending product to MTF's network of franchisees and dealers (approx. 250).
- Approx. 50% of insurance policies sold direct through Turners Limited businesses, remainder through broker/dealer channels
- Increasing focus on cross-selling across the wider Turners group
- The link to origination transaction means less competition, long term relationship with customer, more control



# NEW INITIATIVES: MTF EXCLUSIVE PARTNERSHIP

## Exclusive partnership with Motor Trade Finance to provide non-recourse lending product

- 2 year agreement with rights of renewal
- Reflects a long and valuable relationship between MTF and Turners (Turners owns 8% of MTF)
- Product will be offered through MTF network of 250 dealers, brokers and franchisees
- Introduction of a non-recourse product will provide dealers with a single portal for all both recourse and non-recourse financing, significantly improving convenience and processing times
- Estimate the partnership could deliver \$50M+ in new lending over the next 2 years
- All loans are full secured and are eligible for Turner's securitisation program



# NEW INITIATIVES: AUTOSURE INSURANCE ACQUISITION

## **Announced acquisition of Autosure Insurance from Suncorp and corporate partnership with Vero Insurance**

- Purchase price of \$34M, settlement on Dec 1 2016. Transfer of “in-force portfolio” from April 1 2017 (approval received from RBNZ)
- Autosure will be run as stand-alone business and expect earnings contribution (EBITDA) of around \$5.5M in the first year of full ownership
- Autosure is a market leader in all areas of motor insurance distributing product through 750 dealers throughout NZ
- Under the corporate partnership Turners will sell motor vehicle insurance underwritten by Suncorp NZ’s general insurer Vero Insurance
- Transaction will be funded 70% in cash (from the recent conversion of Bonds and share placement capital raise) with the balance in bank debt.
- Creates a significant step up in scale in the Turners insurance business



# DEBT MANAGEMENT

---







# DEBT MANAGEMENT



## **EC Credit, a recognised leader in the debt collection and credit management industries**

- Total debt management and credit control services for NZ and Australia customers
- Contingent debt collection (agency) model – EC Credit does not acquire books of bad debt using its balance sheet
- Experts in Terms of Trade documentation and implementation of best practice credit solutions
- Long term contracts 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
- Highly cash generative, very little capital to run and counter cyclical protection for group



# UPDATE TO MARKET 28 MARCH 2017

---

- Positive progress being made on key initiatives including integration of Autosure insurance; establishment of the securitisation funding model; and growth in demand for the MTF non-recourse finance product.
- FY17 Guidance: Net Profit Before Tax expected to be between \$24.0 million and \$24.5 million
- Q3 dividend declared at 4 cents per share, taking the total of the 3 interim year-to-date dividends to 10 cents per share.
- The Company advises that it is likely to undertake a dual listing on the ASX in FY18.



# THE OPPORTUNITY

---



# GROWTH OPPORTUNITIES

---

## AUTOMOTIVE RETAIL

- 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
  - Continue to seek organic growth opportunities for Turners Group and acquisitions of quality businesses in retail, servicing, parts
- 

## FINANCE AND INSURANCE

- Integration of insurance and finance into a single selling platform
  - Increase dealer / broker footprint by leveraging relationship with MTF's growing network
  - Continue to build the number of dealers / brokers referring business
  - Consolidate brands and back office for Finance and Insurance businesses
- 

## TECHNOLOGY DEVELOPMENTS

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

# QUESTIONS AND DISCUSSION

---

# Turners.

L I M I T E D

**Contact:**

Todd Hunter

CEO Turners Limited

T: 64 21 722 818

E: [todd.hunter@turners.co.nz](mailto:todd.hunter@turners.co.nz)



# APPENDIX – ADDITIONAL INFORMATION

---

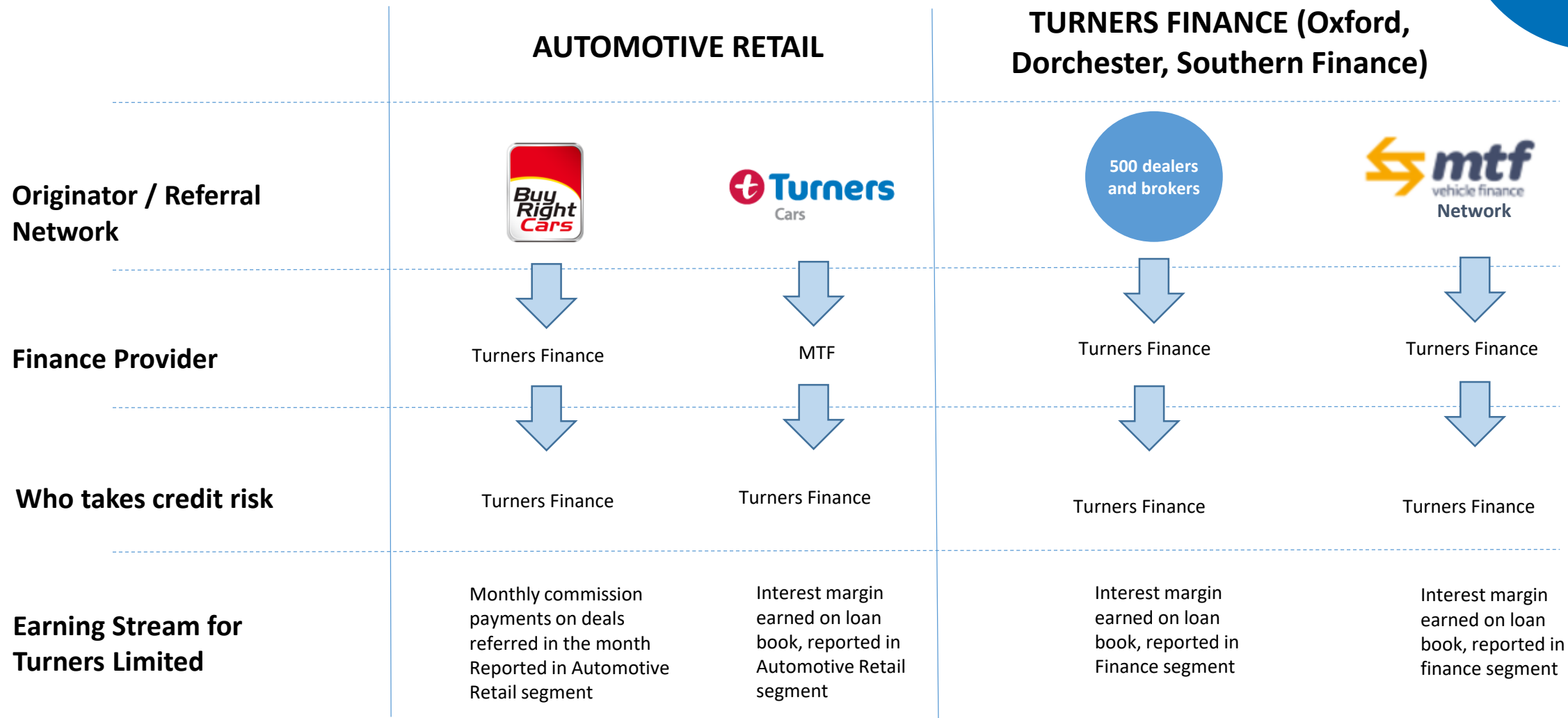


# HOW THE FINANCE ORIGINATIONS WORK

---



# FINANCE ORIGINATIONS FOR TURNERS LIMITED



# INFORMATION ABOUT THE MARKETS WE OPERATE IN

---



# AUTOMOTIVE RETAIL

## THE OPPORTUNITY

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*

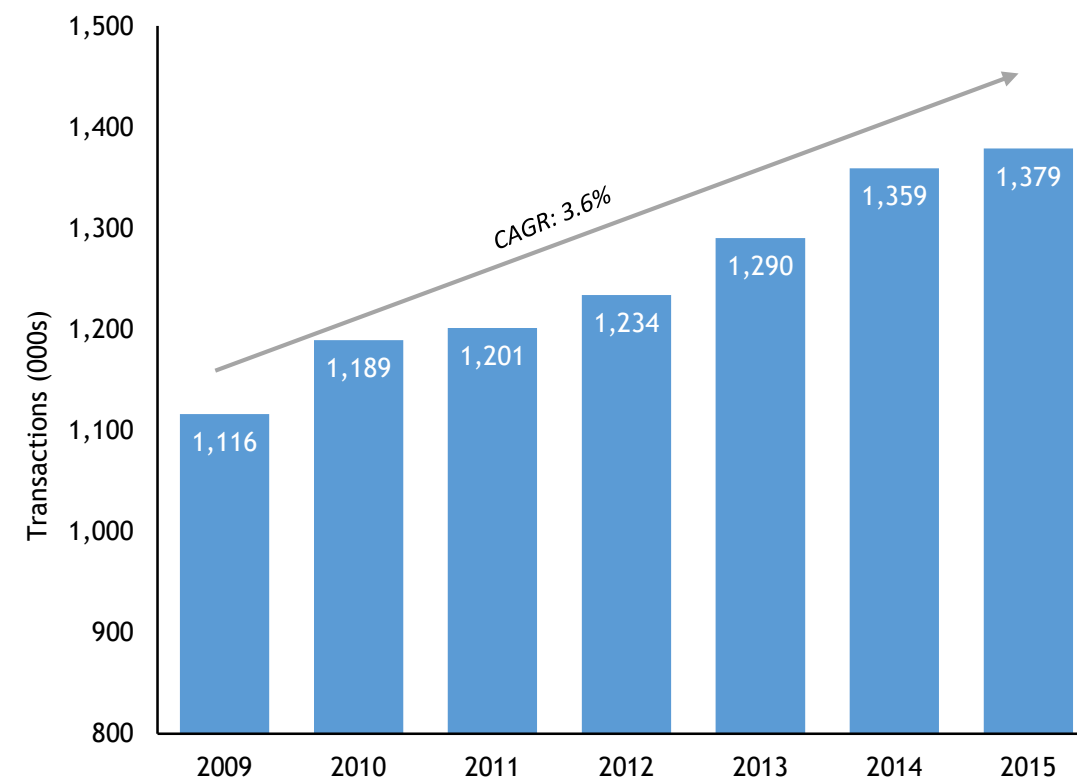
Up to 1 year old	3.7%
Up to 2 years old	7.2%
Up to 3 years old	10.4%
Up to 4 years old	13.3%
Up to 6 years old	18.5%
Up to 8 years old	24.7%
Up to 10 years old	34.8%
Up to 15 years old	59.1%
Up to 20 years old	80.3%

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

# FINANCE AND INSURANCE

## THE OPPORTUNITY

### A significant opportunity:

- Approximately 80% of used vehicles purchased are financed through mortgage extension, car loans personal loans, hire purchase and finance leasing
- Estimate there are approximately 350,000 transactions per year in vehicle / car finance where Turners directly operates
- The used vehicle financing market is very fragmented
- 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.

**Dorchester Finance** Finance Enquiry

PREREQUISITES LOAN FINANCE APPLICATION INCOME & EXPENSES

ASSETS & LIABILITIES **SECURITY** SUBMIT

Total Security Value 18995.00

Total Scaled Value 18995.00

Amount Financed 18599.00

LVR 97.92

Security Type Motor Vehicle

Vehicle Security Pending ☐

Add Security

Motor Vehicle

Registration No \* VIN \*

Search

Year Make

Model Chassis \*

Odometer

Value 18995 Scaling % 100

Scaled Value 18995.00

Delete

© Copyright 2016 Dorchester Finance. All rights reserved.

# DEBT MANAGEMENT

## THE OPPORTUNITY

### Stable industry with potential to grow:

- Very competitive environment
- Handful of big providers servicing the corporate debt collection market
- Biggest challenge in SME market is customer complacency towards credit control services
- SMEs looking for a 'one stop shop' approach and support in implementation of credit management systems
- Technology changing how credit management services are accessed and managed eg greater integration with online software packages such as Xero and MYOB

The screenshot displays the EC Credit Control website. The header includes the company logo, navigation links (Products & Services, Success Stories, Choose EC Credit Control, Contact), and a login/phone number bar. The main heading is 'Commercial Debt Collection'. Below this, a text block describes the company's expertise in debt collection since 1989. A video player shows a hand writing '97% OF OUR CLIENTS OPERATE' next to stacks of cash. To the right, a 'Success Story' section mentions a 100% recovery rate. At the bottom, there's a link to a 'Free guide to complete debt management' and a button for 'Commercial Debt Collection'.

EC Credit Control  
Log in | Free phone 0800 324 768

Products & Services Success Stories Choose EC Credit Control Contact

## Commercial Debt Collection

EC Credit Control > Products and Services > Commercial Debt Collection

Collecting Commercial debts requires specialist skills. Operating since 1989, EC Credit Control has the experience, know-how and ability to collect your commercial debt in a prompt and efficient manner.

Let EC Credit Control take care of your debt collection. This allows you to get on with what you do best – running your own business.

Debt Recovery - EC Credit Control  
97% OF OUR CLIENTS OPERATE

PRIORITY

Success Story

We've recovered almost 100% of our clients' outstanding debts.  
[Read more »](#)

Free guide to complete debt management

We've put together a guide to help your business.  
[Request your copy now »](#)

Commercial Debt Collection

# SUMMARY FINANCIALS

---

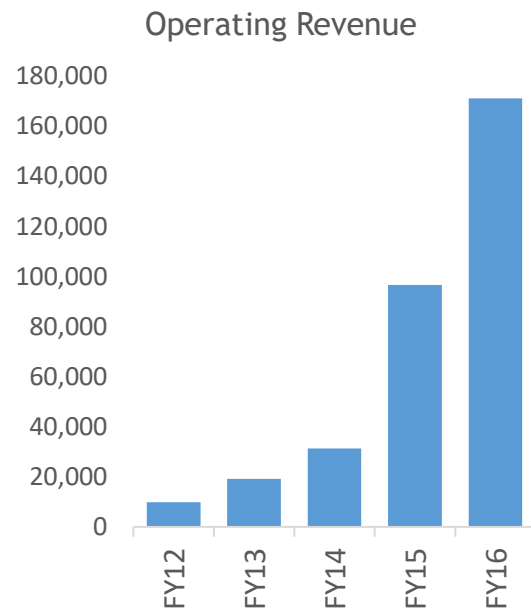




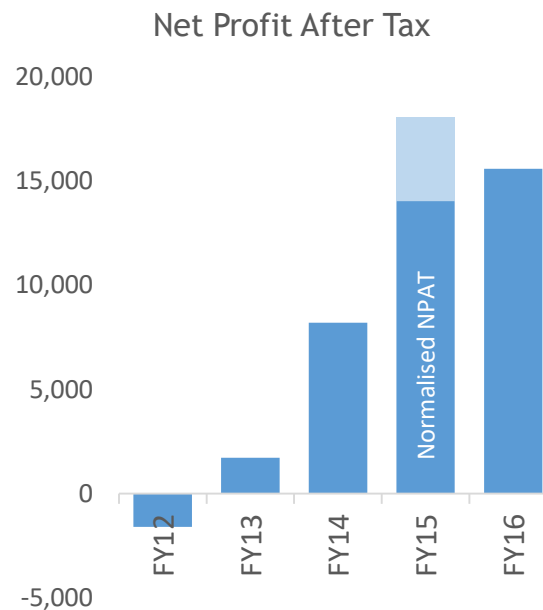
# GROWTH STRATEGY DELIVERING INCREASING RESULTS

Sustainable growth strategy delivering increasing shareholder value with track record of improving financial results

**OPERATING REVENUE \$172M**  
Up 76% year on year

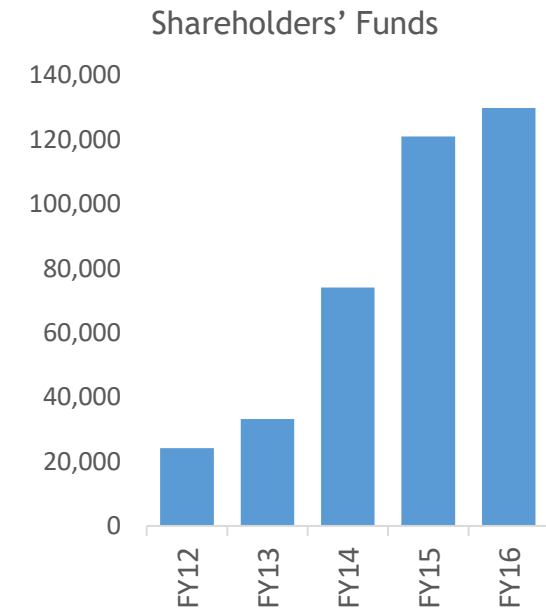


**NET PROFIT AFTER TAX \$15.6M**



Normalised FY15 NPAT of approx. \$14.0m assumes a full tax paying position.

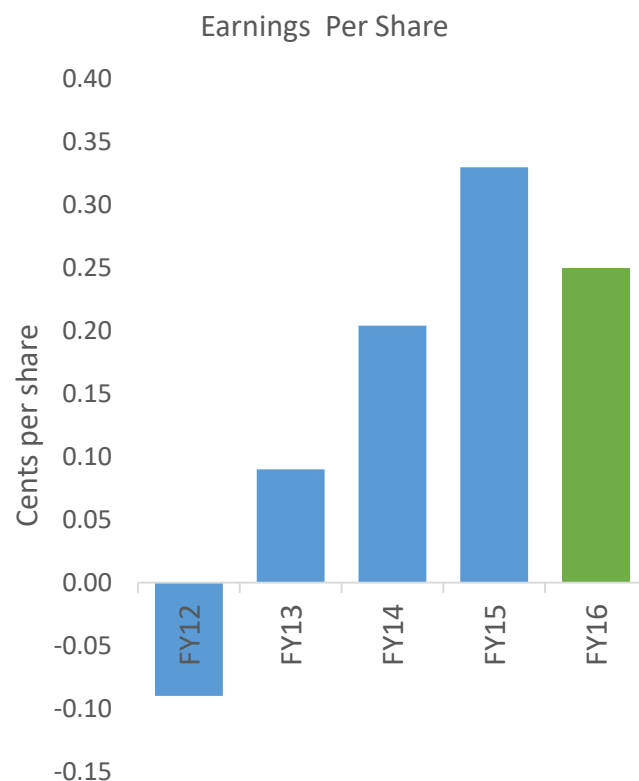
**SHAREHOLDERS' FUNDS \$129.8M**  
Up 437% in past five years



# EARNINGS PER SHARE AND DIVIDEND

## EARNINGS PER SHARE 25 CPS

Reflects reduction in level of tax losses utilised



Prior years adjusted for 10:1 share consolidation undertaken in FY16

Dividend Policy: Pay out of between 50% and 55% of net profit after tax

- FY16 full year dividend of 13 cents per share
- Move to quarterly dividends from 1 April 2016
- Q1 full imputed dividend declared and paid in September 2016 @ 3.0c per share
- Q2 full imputed dividend declared and paid in December 2016 @ 3.0c per share
- Q3 full imputed dividend declared and payable in April 2017 @ 4.0c per share

# DIVERSIFIED DEBT AND CAPITAL BASE

Turners has a diversified debt and capital funding base:

EQUITY	New shares can be issued as part payment for acquisitions Completion of buyback of small shareholding and 1:10 share consolidation in FY16	\$13.4M in small capital raise in Oct
BONDS	Provides additional funding for Turners acquisition programme New two-year bond programme issued 1 October 2017 Quarterly interest paid at 6.5% pa, with optional conversion to equity at maturity at \$3.75 per share.	\$17.5M conversion of 2014 Bonds Raised \$25.4M in new Bond issue in Sept
DEBT	Borrowings for funding loan book and acquisitions Conservative balance sheet with funding headroom Implemented securitisation model to broaden funding base and reduce cost Supportive, long term banking partner	Debt reduced with recent capital raise and Bond conversion.

# 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.

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.