

27 May 2015

Company Announcement

TURNERS LIMITED FULL YEAR PROFIT UP 120% TO \$18M

Turners Limited (NZX : TNR), formerly Dorchester Pacific Limited, today posted its full year results for the financial year to 31 March 2015, reporting a net profit after tax of \$18.1 million (2014, \$8.2 million).

Net profit before tax was \$19.0 million. While the group has tax losses to utilise, tax is paid on some profits of businesses recently acquired. The profit result is ahead of budget, earlier forecasts and the recent market guidance of around \$17.5 million before tax. It includes a full year trading for Oxford Finance and five months trading contribution from Turners Group NZ Limited, the auction, fleet and finance business acquired late last year.

The \$19.0 million pre- tax profit includes approximately \$5.0 million of net one-off gains mostly related to the revaluation of the initial 19.85% holding in the Turners Group and the write-off of acquisition and transaction costs.

The balance sheet at 31 March 2015 shows shareholder funds of \$121.0 million (2014, \$74.1 million).

The results to 31 March 2015 have been audited by Staples Rodway. They expect to give an unmodified opinion on the financial statements.

Dividend

Directors have declared a final dividend of 0.6 of a cent per share for the year ended 31 March 2015 (2014, 0.5 cents per share). The total dividend for the year is 1.0 cent per share. The un-imputed final dividend will be paid on Friday 17 July 2015. For the purposes of determining shareholder entitlements, the record date will be Friday 10 July 2015.

Trading

Turners Limited CEO and Executive Director, Paul Byrnes, said it had been an eventful and exciting year. The significant lift in both total bottom line profit and underlying trading profit were excellent results for the group.

“The trading profit before tax was \$14 million, after adjusting for the \$5 million one-off gains from the \$19 million profit before tax. This was achieved despite the high New Zealand dollar adversely impacting EC Credit’s Australian earnings and higher reserving required for DPL Insurance as a result of the lower 10 year interest discount rate. These two factors adversely impacted trading profit for the period by around \$1 million in total.

“The EC Credit Australian business still remains profitable even with the New Zealand dollar at parity levels with the Australian dollar and the exchange rate has no impact on growth plans for the Australian business. The DPL Insurance business additional one-off reserving is not related to claims - and will unwind as we eventually move into a higher interest rate environment.

“All three finance books (Dorchester Finance, Oxford Finance and Turners Finance) performed at or ahead of forecast with acceptable arrears and bad debt write-off metrics maintained over the year. Total receivables increased by \$105 million primarily as a result of the Oxford Finance and Turners Group acquisitions.

“Trading performance of Turners Group has not missed a beat following acquisition. The rebranding of the business from Turners Auctions was completed in the year and the continuing focus away from wholesale to retail as part of the multi-channel strategy is evolving as planned. The focus on the growing truck and machinery business is reflected in the development of two new premises, with the \$4 million purchase of a property in Roscommon Road, Auckland in August 2014 and the development of a new truck and machinery leased site in Christchurch.

“The last 12 months has seen the execution and settlement of businesses acquired and the full integration of operational and governance functions. The final earn-out payment for the EC Credit business was made in October 2014. The deferred consideration payment balance for Oxford Finance was settled on 27 March 2015. Acquisition of 100% of Turners Group (NZ) Limited was completed on 1 December 2014.”

Senior Management Appointments

A number of senior management appointments have recently been made across the group;

David Wilson has been appointed CEO of EC Credit. David was previously Group Sales Manager and has been with the EC Credit business for 8 years. Matthew Harrison, the previous CEO and owner, remains on the Turners Limited group board.

Darryl French has been appointed GM - Dorchester and Oxford Finance. Darryl has been with the group for 10 years and was previously Group Collections and Lending Manager for Dorchester Finance.

Todd Hunter, CEO Turners Group, will be taking on additional operational responsibilities for the wider group while retaining his role heading up the Turners Group business.

Mr Byrnes commented:

“It is positive that we are able to strengthen the senior leadership team by bringing through executives who have demonstrated excellent performance deserving promotion, without the business losing any existing experience or expertise”.

Outlook

The underlying trading profit and the one-off extraordinary gains need to be separated out. It had been expected that some of the one-off gains booked this year would be recorded over two years.

“On a like-for-like basis, trading profit is expected to increase from the \$14 million this year to around \$20 million next year without any contribution from further M & A. Some additional synergies from the Turners Group acquisition already identified may also add to the forecast trading profit.”

Mr Byrnes commented:

“Our growth strategy for building an integrated financial services business remains consistent with what has previously been advised to the market over the last two years. Our first priority is to drive growth through investment in our current businesses. Every one of our businesses including the current Turners Group operations are capable of increasing sales and market share. We expect to deliver additional significant growth through accretive merger and acquisition activity.

There are also opportunities to leverage integration from a group perspective including cross selling products and development of common systems.”

Turners Limited Chairman, Grant Baker, said the results were particularly pleasing for all shareholders including those new shareholders who joined the register as part of the capital raising to part fund the Turners Group acquisition in September last year.

“Last year we noted that the \$8.2 million profit achieved was a record profit ever for the group. We have doubled that profit this year and delivered an outstanding result against ambitious forecasts.

“However, the Board is focussed on further growth, higher earnings and improving shareholder returns. The business is managed very capably to achieve organic growth. The group is in good financial shape with a relatively conservative equity ratio, enabling us to actively consider further debt funded acquisition opportunities. We would also consider a further capital raising if a compelling larger acquisition came along.

“Regardless, we will continue to take a disciplined approach with appropriate due diligence and research to ensure we make the right acquisitions that will create positive shareholder value.”

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For further information please contact:

Paul Byrnes
CEO/Deputy Chairman
Turners Limited
DDI: (09) 308 4988
Mobile: 021 644 441

Grant Baker
Chairman
Turners Limited
Mobile: 021 729 800

Karyn Arkell
Grace
Mobile: 027 475 351