

30 May 2016

## Company Announcement

# TURNERS CONFIRMS STRONG IMPROVEMENT IN FINANCIAL RESULTS

## Full Year Results for the 12 Months to 31 March 2016

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- Net profit before tax of \$21.6m, ahead of May 2016 guidance of \$21.3m to \$21.5m
- Improved trading result from all operating divisions
- Increased final dividend of 7 cents per share
- Announcement of new online car store “Cartopia”
- Launch of “AutoApp”, a new digital loan approval system
- Todd Hunter to succeed Paul Byrnes as CEO from 1 June 2016

Turners Limited (NZX:TNR) has today posted its audited results for the financial year to 31 March 2016, reporting a net profit before tax of \$21.6 million (FY15: \$19.0 million which included \$5.0 million of net one-off gains), ahead of its May 2016 guidance of \$21.3 million to \$21.5 million.

Net profit after tax was \$15.6 million (FY15: \$18.1 million). Accounts for the financial year to 31 March 2016 reflect full tax provision although actual tax payments for this period are lower as tax losses on the balance sheet are utilised. Tax losses remaining at 31 March 2016 are expected to be fully utilised in the financial year to 31 March 2017.

The profit result includes a full year trading contribution from Turners Group NZ (formerly Turners Auctions) and eight months trading from Southern Finance, the Christchurch based finance company which was acquired in August 2015.

Shareholder funds at 31 March 2016 were \$129.8 million, up on FY15 shareholder funds of \$121.0 million.

The results to 31 March 2016 have been audited by Staples Rodway. They expect to give an unmodified opinion on the financial statements.

## Trading

Turners Limited CEO and Executive Director, Paul Byrnes, said it had been a very positive year with all trading operations delivering increased operating profits with a number of the businesses significantly ahead of both last year and budget. The company continues to strengthen its positioning as an integrated financial services group across vehicle buying and selling, loan and insurance origination through to debt management and recovery.

“Turners Group NZ (previously Turners Auctions) had an outstanding first reporting year under full ownership as it continued to deliver on its multi-channel strategy. Activity levels across auctions, fleet and finance were well up on the previous year. Two properties have already been purchased to accommodate the growing truck and machinery business, reflecting the strategy of separating trucks and machinery premises from the traditional car business. Further investments will follow. The business achieved a trading profit before tax of just over \$10 million for the full year, 47% ahead of the Turners Auctions pre-acquisition profit of \$6.8 million.

“Dorchester Finance and Oxford Finance both finished the year strongly with operating profits around 20% ahead of forecast, despite increasing price competition in the second tier motor vehicle finance market. Oxford Finance recorded an operating profit of \$5 million compared to the pre-acquisition profit level of approximately \$3 million. A digital loan approval platform, “AutoApp”, has been developed over the last 12 months with an initial launch by Dorchester Finance in May 2016. This system will be rolled out to Oxford Finance and Southern Finance over the next 12 months and will deliver internal efficiencies and better customer experience for dealers/brokers. Total finance receivables across the group increased by 17% to \$168 million at year end. The book comprises predominantly motor vehicle secured lending.

“In DPL Insurance, the growth in gross written premium and new policy sales of Mainstream consumer insurance products has continued. Sales of motor vehicle breakdown and private motor vehicle insurance policies through the group channels (Turners Group and the group’s finance companies) now exceed 500 new policies per month with further growth through these channels expected. The recent acquisitions of Greenwich Life and Pacific Life will enable insurance policies with some life cover, such as funeral plan and accidental death, to be marketed through existing client channels of these businesses.

“The EC Credit debt recovery business had a record year with increased contingency commission revenue from the major New Zealand banks and institutional clients. Improved collection systems and IT investment are delivering improving collection rates off client debt. Australian revenues accounted for approximately 50% of total income. The Australian market still represents the greatest opportunity for growth from SME and corporate clients in that market.”

## **Dividend**

Directors have declared an increased dividend of 7 cents per share, up on the previous final dividend of 6 cents per share. The un-imputed final dividend will be paid on Thursday 28 July 2016. For the purposes of determining shareholder entitlements, the record date will be Thursday 21 July 2016.

The company confirms the previously signalled move to quarterly dividends following this final dividend for the year to 31 March 2016. The first quarterly dividend, if declared, is expected to be paid in mid-September 2016, with a second quarterly dividend payment expected to be made in mid-December 2016.

Turners Limited's remaining tax losses will be fully utilised in the current financial year to 31 March 2017 and the company has already been paying tax in respect of profits from businesses recently acquired. Existing imputation credits together with imputation credits arising from tax paid over coming months will be applied to the September 2016 quarterly dividend. This dividend and future quarterly dividends are expected to be fully imputed under the current dividend policy of a pay-out of between 50% and 55% of underlying tax paid profit.

## **Online Car Store "Cartopia"**

Cartopia is a new online car store and brand developed by Turners Group NZ to take advantage of the growing popularity of online-only car purchases. The new sales channel will leverage Turners Group's existing infrastructure, processes and capability and deliver a premium e-commerce experience for customers.

Chief Operating Officer, Todd Hunter, said: "The dynamics of the marketplace are changing and consumers are demanding convenient and hassle free ways to purchase goods, including vehicles, online. Cartopia will deliver a premium customer experience, backed by the trusted Turners brand, very attractive pricing and a 7 day right of return. We are really going to change the whole 'used car buying experience' with the launch of this business.

"This innovative new online sales channel is in the final stages of development and will be launched to market in the next few months, extending Turners' nationwide bricks and mortar presence online."

Digital and mobile initiatives are playing an increasingly important role in Turners' growth strategy as the company looks to move to where customers are transacting online, connect with them and make it easy for them to take advantage of Turners' product offerings.

"The new Cartopia sales channel and our online loan approval platform, AutoApp, are a reflection of our increased focus on identifying and developing new and innovative channels to market," said Hunter.

## **CEO Succession**

Chief Operating Officer of Turners Limited, Todd Hunter, has been appointed Chief Executive Officer (CEO) with effect from 1 June 2016.

Todd has been with Turners Group for nine years and was appointed CEO of that business in 2013 while it was separately listed. Todd's appointment to Chief Operating Officer of Turners Limited in October 2015 saw him take on additional responsibilities for the wider group as part of a succession plan.

Current CEO and Executive Director, Paul Byrnes, will remain on the board and be retained in an executive role, focussing on merger and acquisition activity, under a two year contract.

Turners Limited Chairman, Grant Baker, said the CEO succession plan put in place a year ago provides a seamless transition with knowledge and expertise retained in the business.

"Our growth strategy includes both organic growth in existing businesses which needs to be managed and additional growth through identification and integration of merger and acquisition opportunities. We are fortunate to have, in Todd, an already highly regarded CEO who can take over leadership of the business".

## **Outlook**

Incoming CEO, Todd Hunter, said the pleasing results and contribution from all parts of the business reflected the underlying strength of the group and confidence in continuing profit growth.

"We are also seeing increasing benefits being derived from cross selling of products across the group and the development of common systems within the finance and insurance businesses".

Turners Limited Chairman, Grant Baker, said the group finished the year in a stronger position overall with a conservatively geared balance sheet and with the share register tidied up following the recent buyback of smaller holdings.

"We are actively considering a number of merger and acquisition opportunities and would hope to announce at least one further acquisition in coming months. M & A activity will remain aligned to our strategy of growth in our core businesses".

**ENDS**

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