



# Annual Results Presentation: May 2017

Todd Hunter: Chief Executive Officer

Aaron Saunders: Group Chief Financial Officer

# FY17 FINANCIAL HIGHLIGHTS

## Continuing To Deliver Growth

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Operating Revenue	\$252.4m	↑48%	48% increase in revenue from acquisitions and organic growth
Record NPBT	\$24.6m	↑14%	Net Profit Before Tax of \$24.6m, slightly ahead of March 2017 guidance
Strong NPAT	\$17.6m	↑13%	Net Profit After Tax up 13%
Shareholders Equity	\$171.7m	↑32%	Results exclude any contribution from Autosure Insurance
Finance Receivables	\$207.1m	↑24%	Shareholders Equity reflects successful \$13.4m capital raise and \$17.5m conversion to equity in 2014 Bond
Total FY17 Dividend	14.5 cents per share	↑12%	

# OUR STRATEGY IS FOCUSED ON GROWTH



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

**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



# FY17 HIGHLIGHTS: ACQUISITIONS



Buy Right Cars Branch Papatoetoe

## Growth of the business, particularly in the automotive sector:

- Pacific Life insurance May 2016 – Bolt on acquisition, access to highly profitable customer base
- Buy Right Cars Group August 2016
  - Significantly increases Turners' footprint in the key Auckland market
  - Compliance and Service Centre adds capability
  - Creates further cross-sell opportunities for Turners' Finance and Insurance businesses
  - Currently tracking 10% ahead of expectations
- Autosure Insurance December 2016
  - Gives much needed scale and market leadership
  - Underwriting partnership with Vero for motor vehicle insurance
  - Transfer of inforce portfolio from 1 April 2017
  - Successful transition to Turners ownership

# FY17 HIGHLIGHTS: ORGANIC GROWTH



Fonterra Trucks sold through Turners Trucks and Machinery

## Launch of new products and expansion of existing businesses and retail channels:

- Launch of MTF non-recourse lending product. New lending of \$16m at end of March 2017, significantly ahead of expectations with growing momentum
- Expansion of Trucks and Machinery footprint, with acquisition of two new strategic sites (now five in total)
- Improvement in retail “end-user” sales in Turners Cars driving growth in finance and fleet margins (fixed price sales up 46% YoY)
- Launch of online initiatives Cartopia (online car store) and AutoApp (online loan origination portal)
- Implementation of Securitisation Funding program with BNZ (initially \$150m)

# FY17 HIGHLIGHTS: GROUP INTEGRATION



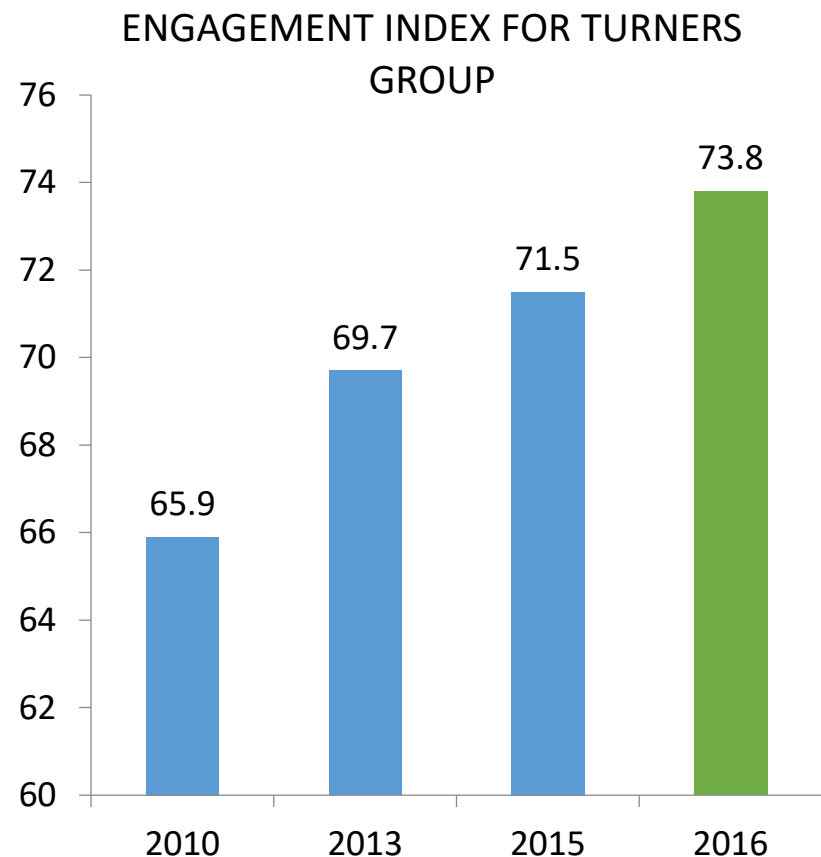
Turners, Oxford Finance and Autosure are all key brands for the future



## Ongoing initiatives commenced in FY17:

- Finance companies to combine into a single operating entity (technology platform, branding)
- Merge of insurance companies into a single selling entity (branding and technology platform)
- Creation of a single selling platform for finance and insurance
- Loan origination from Buy Right Cars now directed to Turners owned finance companies

# FY17 HIGHLIGHTS: PEOPLE



- Strengthening of Turners executive team
  - Aaron Saunders (Group CFO)
  - Dion Jones (Group GM Finance)
  - James Searle (Group GM Insurance)
  - CEO Turners Group NZ (recruitment underway)
  - Campbell Smith (Sales and Channel Development)
  - Simon Gould – Thorpe (Group CIO)
  - Sonya Rose (GM HR)
- Transition to new CEO successfully completed from 1 July 2016
- Staff engagement measure to be implemented throughout business (IBM Kenexa measure)
- Staff engagement tracking well in Turners Group

# AUTOMOTIVE RETAIL



Turners Automotive and Buy Right Cars

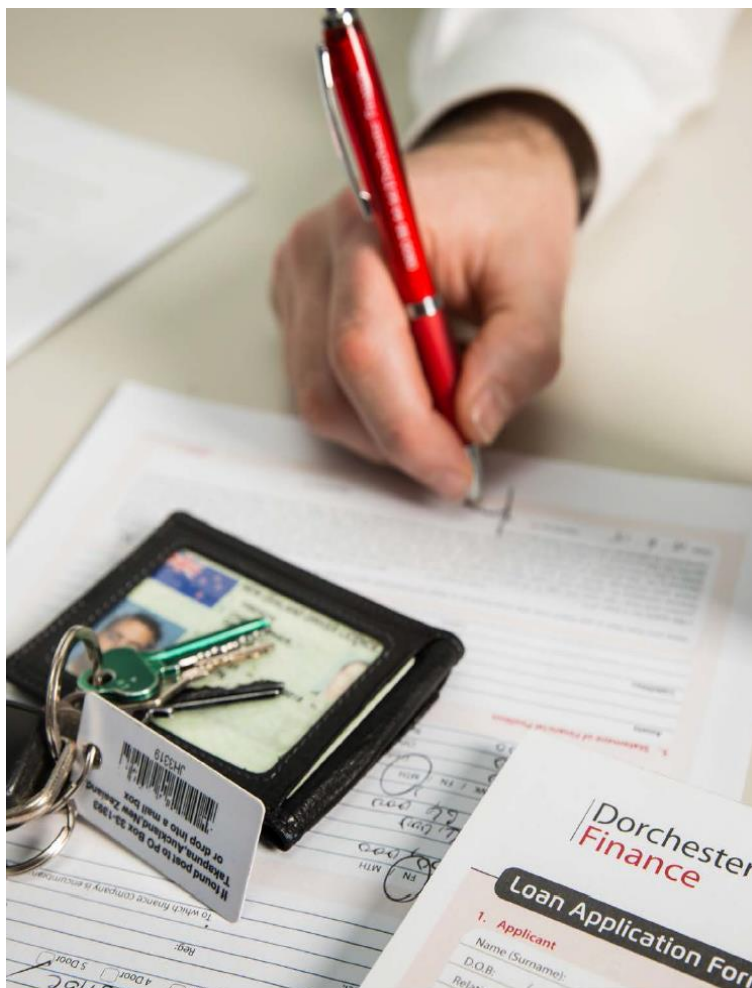
**Revenue \$192.7m, up 64%    Operating Profit \$15.4m, up 54%**

## KEY DRIVERS:

- Increased buying opportunities for Turners Group customers through multi-channel platform (fixed price sales up 46% YoY)
- Continuing focus on retail vs wholesale customers (total end user buyers up to 65% for all car purchases)
- Corresponding increase in finance contract sales (20% increase in loans written YoY, 34% increase in MBI policies sold)
- Deliberate strategy to own more of the cars sold by Turners for higher margins and more control, (48% owned FY17 v 39% owned FY16)
- Positioned well for growth in Trucks and Machinery with footprint expansion of dedicated sites
- Buy Right Cars acquisition performing ahead of expectation
- Origination of loans has ramped up significantly since February



# FINANCE



**Revenue \$26.8m, up 10%**      **Operating Profit \$10.2m, up 4%**

## KEY DRIVERS:

- Launch of AutoApp online loan origination platform, continued enhancements being developed
- Establishment of non-recourse lending product for MTF network tracking well ahead of expectation (\$16m at year end)
- Implementation of securitisation funding program with BNZ (\$150m limit)
- Still a competitive market for consumer finance (value of the origination at its highest)
- Focus on higher quality, lower margin automotive related lending
- 24% growth in finance receivables YoY

# INSURANCE



**Revenue \$13.7m, up 49%**      **Operating Profit \$0.9m, down 34%**

## KEY DRIVERS:

- Gross Written Premiums for DPL insurance up 13% YoY
- General insurance claims ratios experienced in FY17 are in-line with market norms (59%), compared to lower levels in FY16 (32%)
- Autosure acquisition achieves the scale needed in Insurance
- Autosure focuses Turners' underwriting effort on core products (Mechanical breakdown insurance, Loan repayment insurance)
- 10 year partnership with Vero for underwriting motor vehicle insurance
- Insurance businesses will combine into single operating business over the next 12 months
- Strong sales of insurance products through the Turners-controlled Automotive retail businesses

# DEBT MANAGEMENT



**Revenue \$19.1m, up 4%**

**Operating Profit \$6.2m, up 3%**

## KEY DRIVERS:

- Business continues to perform well, remains highly cash generative
- Strong Terms of Trade product sales in the Australian market
- Focus on higher quality debt load (debt load down 5% YoY) translating into improved collections performance and commissions (debt collected up 9% YoY)
- Share of debt loaded from NZ corporate clients improving at expense of competitors
- Passed final ANZ Australia audit and awaiting instruction regarding debt load
- Focus on building analytics capability and efficiencies in contact centre eg. Dialler technology
- This result includes a release of \$1.1m from unredeemed vouchers liability (\$1.8m release in FY16).



# FINANCIAL REVIEW

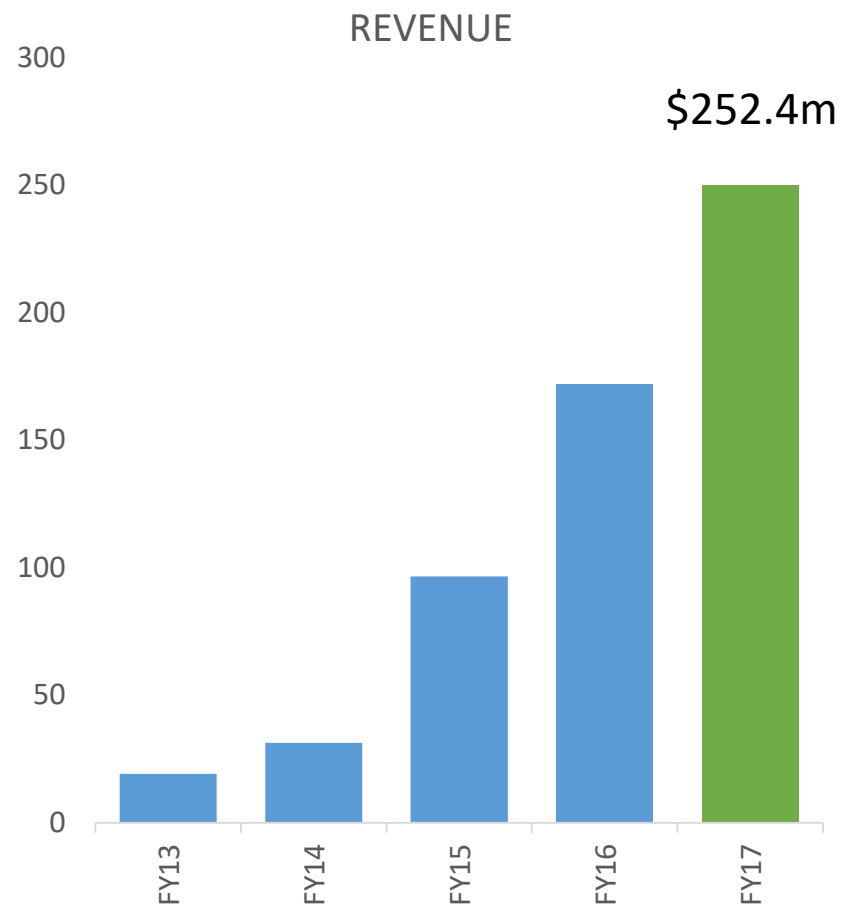
Aaron Saunders: Chief Financial Officer

**Turners.**  
Automotive Group





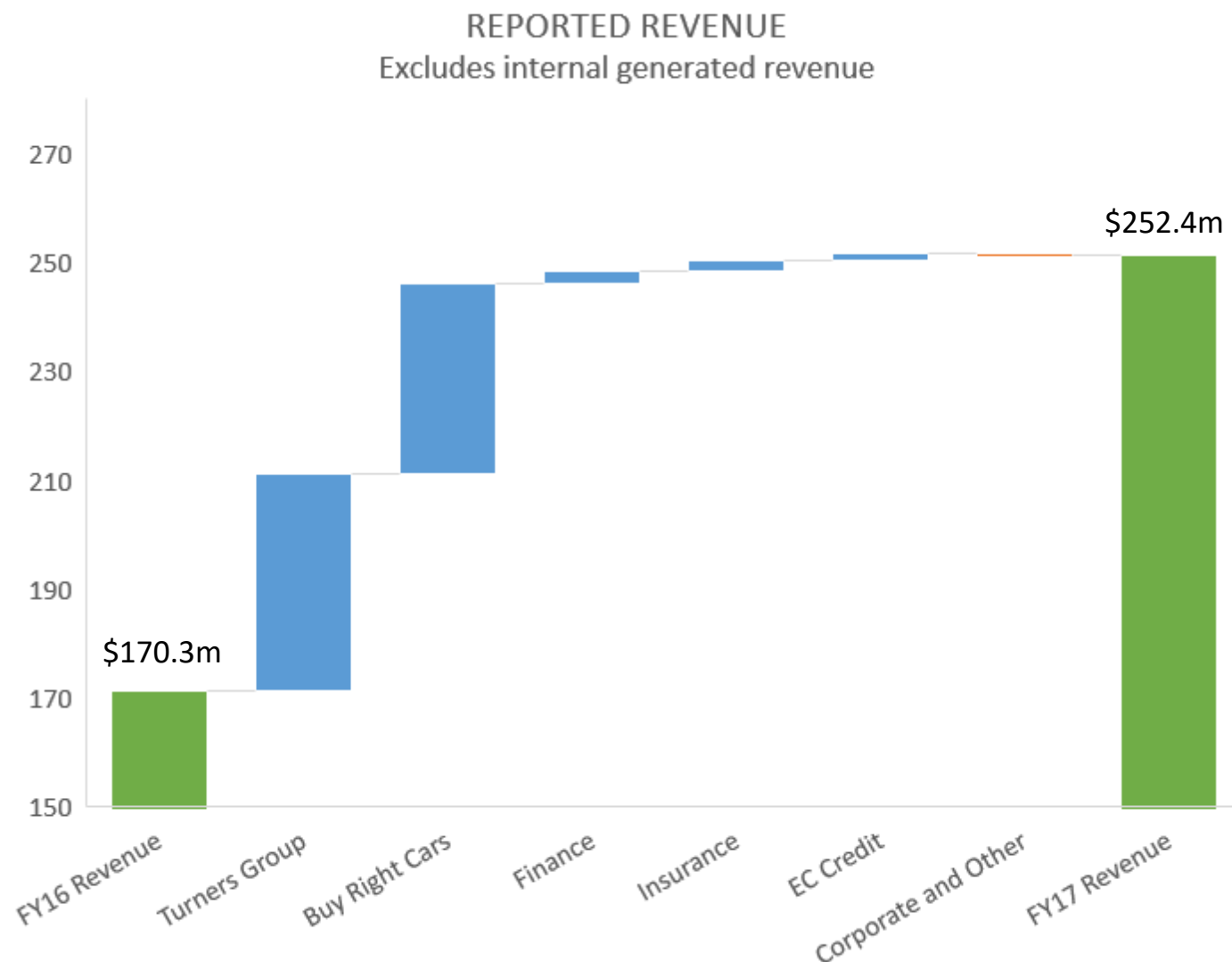
# REVENUE UP 48% TO \$252M



## Revenue has grown 48% in the past year

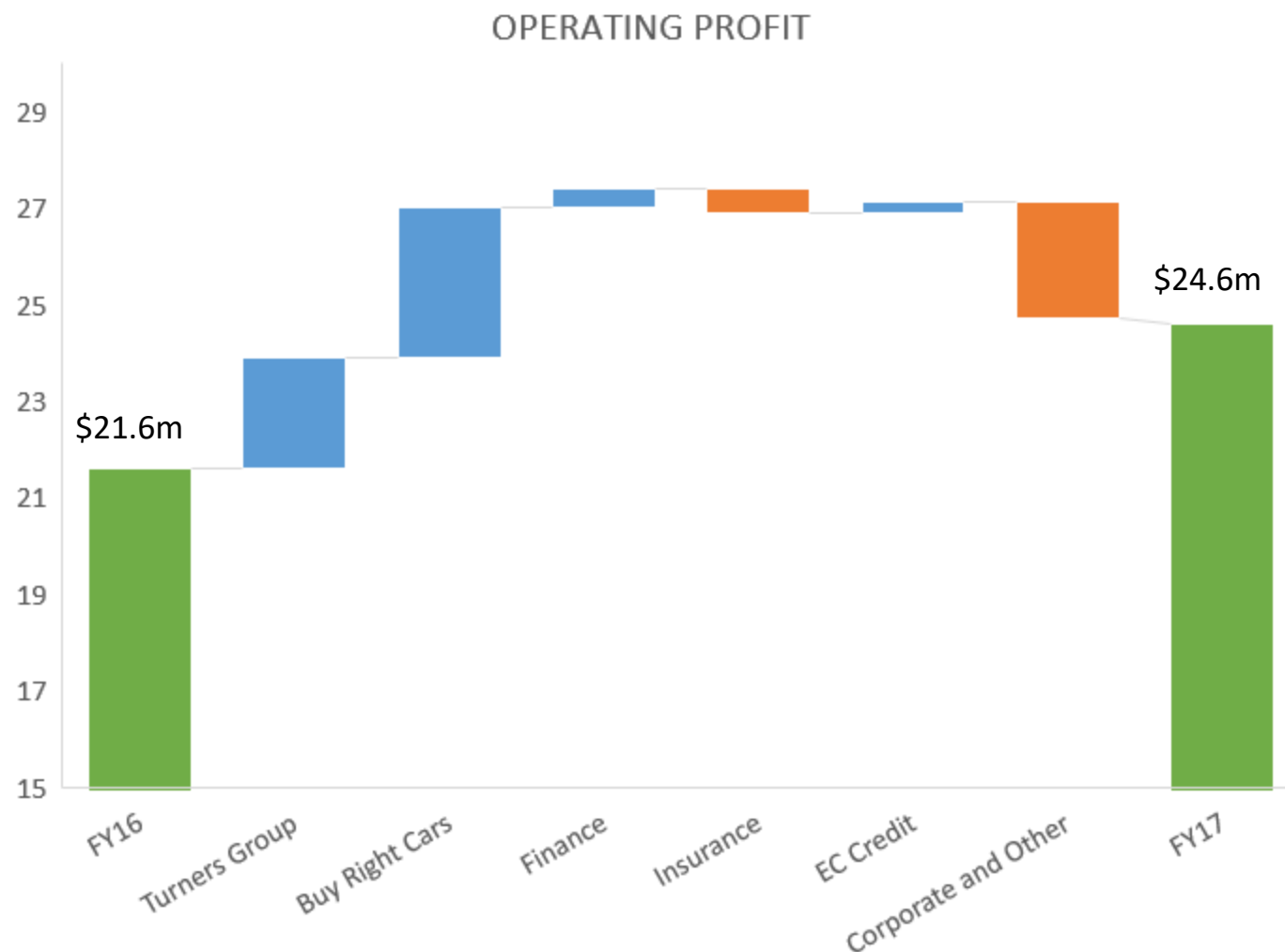
- Revenue increases being driven by higher vehicle sales activity due to acquisitions and organic growth up \$72.1m YoY to \$142.6m
- Annuity income from finance and insurance businesses providing additional stability and security up 22% YoY to \$53.2m

# FY16: FY17 REVENUE BRIDGE



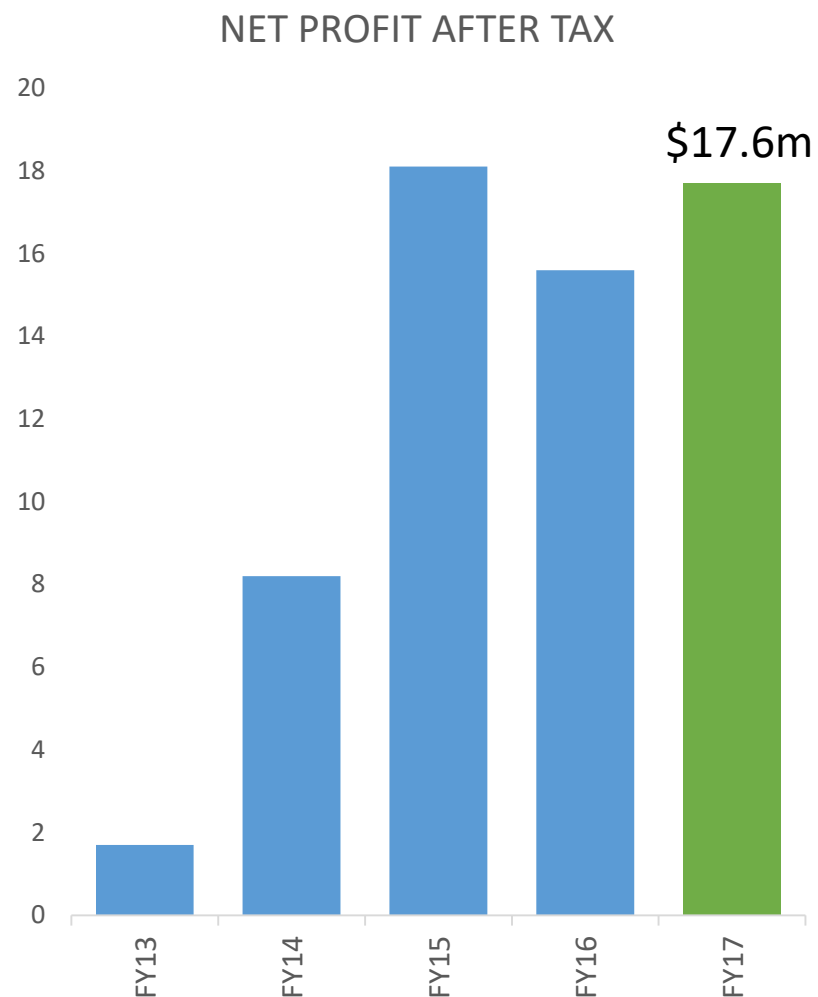
- Increased sales of “owned stock” in Turners Group, higher end user retail sales, growing finance book
- Eight month contribution from Buy Right Cars
- Growth in finance book from Buy Right Cars deal origination, organic growth and MTF non-recourse
- No contribution from Autosure Insurance in FY17

# FY16: FY17 OPERATING PROFIT BRIDGE



- Turners Group performance increased sales of owned stock and lift in finance and insurance sales
- Eight months' trading contribution from Buy Right Cars
- Finance result improvement due to increase in ledger
- Insurance impacted by change in loss ratios
- Solid growth in EC Credit Control after factoring in change in unredeemed voucher liability v FY16
- Corporate costs impacted by acquisition costs and increased interest on acquisition funding

# PROFIT CONTINUES TO GROW STRONGLY

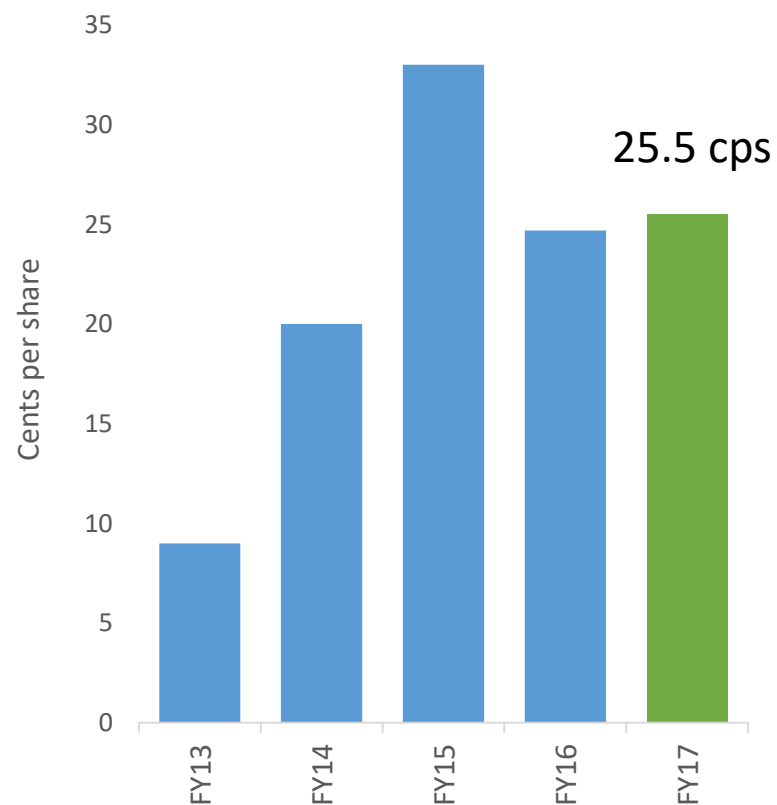


Operating Revenue	\$252.4m	↑48%
Record NPBT	\$24.6m	↑14%
Strong NPAT	\$17.6m	↑13%
Taxation expense	\$7.1m	↑19%
Total FY17 Dividend	\$14.5 cents per share	↑12%



# EARNINGS PER SHARE AND DIVIDEND

## EARNINGS PER SHARE



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

- FY17 transitioned to quarterly dividends and fully imputed
  - Q1 @ 3.0c per share
  - Q2 @ 3.0c per share
  - Q3 @ 4.0c per share
  - Q4 @ 4.5c per share
- FY17 full year dividend of 14.5 cents per share (FY16: 13.0 cps un-imputed)

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

# BALANCE SHEET

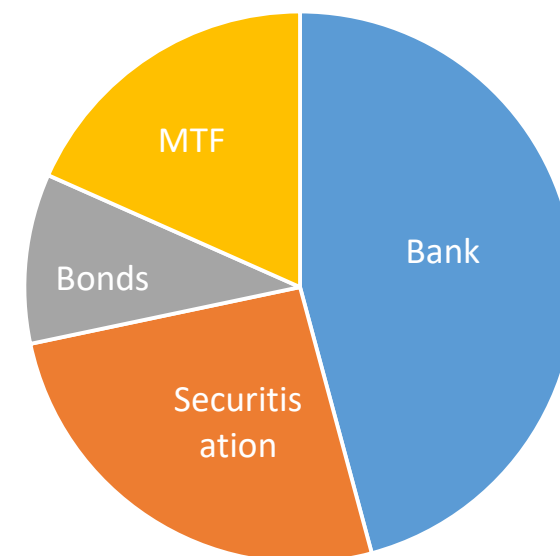
\$millions	FY17	FY16
Cash and cash equivalents	69.1	13.8
Finance Receivables	207.1	167.6
Inventory	44.6	14.2
Property, Plant and Equipment	18.9	11.1
Other Assets	45.9	42.6
Intangible Assets	172.1	118.1
<b>TOTAL ASSETS</b>	<b>557.7</b>	<b>367.4</b>
Borrowings	265.9	174.8
Other Payables	35.7	21.5
Deferred Tax	20.2	8.7
Insurance Contract Liabilities	43.9	9.8
Other Liabilities	20.3	22.8
<b>TOTAL LIABILITIES</b>	<b>386.0</b>	<b>237.6</b>

- Increase in cash balances due to transfer of Autosure Insurance liabilities on 31 March 2017
- Inventory increase due to Buy Right Cars acquisition and higher Turners Fleet stock
- Increase in Shareholders Equity to \$171.7m primarily due to successful conversion to equity from the 2014 Bond Programme \$17.5m and subsequent \$13.4m share placement

# FUNDING MIX

	FY17 \$m	% of Total	FY16 \$m	% of Total
<b>TOTAL ASSETS</b>	<b>558</b>		<b>367</b>	
Equity	172	31%	130	35%
Convertible bonds	26	5%	23	6%
Securitisation Funding (BNZ)	69	12%	0	0%
Bank Funding [Corporate BNZ & ASB]	122	22%	108	29%
MTF Finance Receivables Funding	49	9%	42	11%
Insurance Contract Liabilities	44	8%	10	3%
Life Investment Contract Liabilities	13	2%	16	4%
Payables and Deferred Revenue	43	8%	29	8%
Deferred tax liability	20	4%	9	2%

FY17 Borrowings by Source



- Securitisation has diversified funding mix
- Funding for different purposes eg. inventory and property acquisitions (\$28m)
- Significant headroom in Securitisation facility to support ongoing growth in finance book
- Strong support from BNZ for funding growth



A wide-angle photograph of a Turners car dealership. In the foreground, a red Chevrolet Cruze is parked. Behind it, several other cars in various colors (white, blue, silver) are lined up. In the background, more cars are parked in rows. A woman in a blue and red uniform is working at a computer on a white counter in the foreground. Another person in a blue uniform is standing near a counter in the background. The Turners logo is visible on a sign in the background and on the counter in the foreground.

# OPPORTUNITIES AND OUTLOOK

Todd Hunter



# TRENDS IN THE INDUSTRY

## Changing Consumer Buying Behaviour

- More tech-savvy and informed due to the abundance of information online
- Increased willingness to buy online with the proviso that sufficient information is available to truly evaluate the vehicle

## Role of the Dealer is Changing

- Need to be as or more informed than the consumer
- Ability to offer the complete package from sales to finance and insurance
- Need to devise ways to make quick, convenient sales



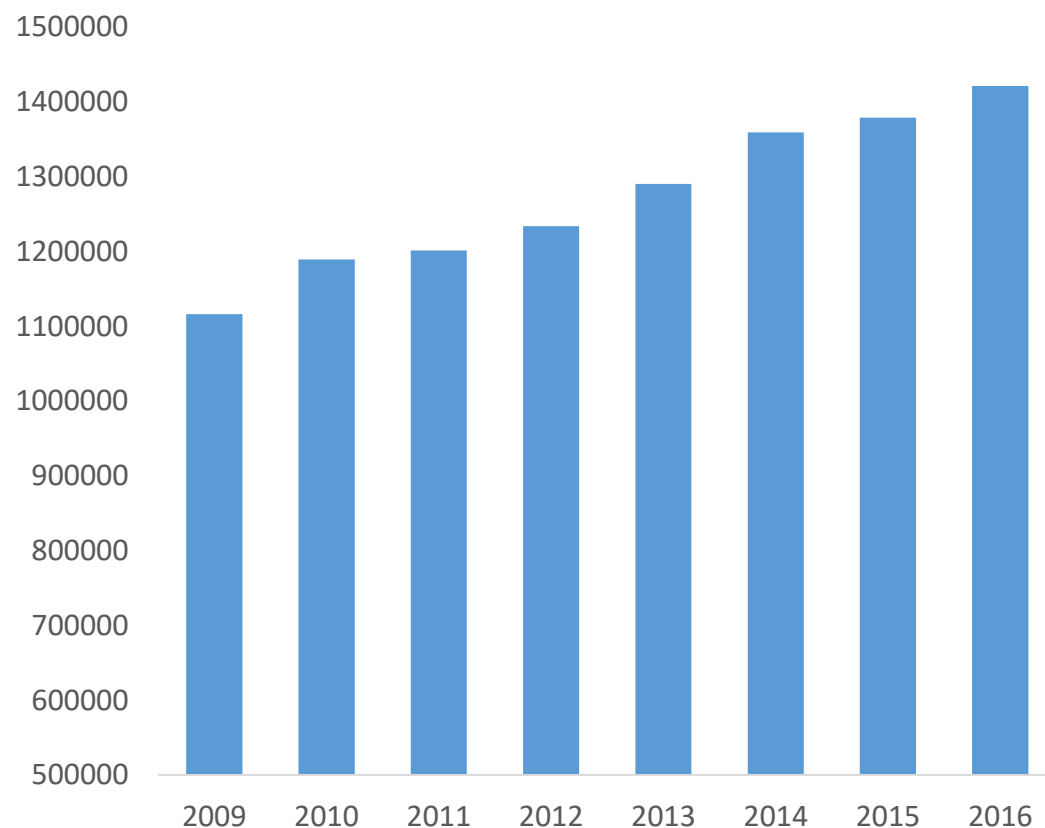
# NEW ZEALAND MARKET



- 3.5 million registered light vehicles on NZ roads
- Since 1994, the real price of a new car has gone down by 22%, making them much more affordable.
- Average age of a car in New Zealand is 14 years. 20% of cars (approx. 700,000) are more than 20 years old.
- 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
- 23% of New Zealand drivers say they are very likely or extremely likely to buy a car in the next 12 months. Car buying process typically takes between 4 and 6 weeks

# GROWTH INDUSTRY

## Used Vehicle Sales



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

Over 1.1 million used car transactions in 2016

2016 was the fifth record year of used car sales in a row since 2012

2016 was the highest number of NZ vehicle registrations yet recorded and almost at the high seen in 2006

Used vehicles were almost half of all registrations



# AN INTEGRATED AUTOMOTIVE FINANCIAL SERVICES GROUP

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



## AUTOMOTIVE RETAIL

**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

**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

**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



# WHY THE INTEGRATED MODEL WORKS



- Diversification of earnings
- Capturing both underwriting (finance and insurance) and retail commissions
- Integrated model provides insulation against market and regulatory changes
- Annuity revenue from finance and insurance means more predictable and consistent earnings
- In Turners' controlled channels, more margin per transaction is earned
- Enabling faster and higher quality development of systems (Turners has its own test platform internally)

# FY18 AND BEYOND: GROWTH OPPORTUNITIES

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- Further retail business acquisitions are expected as Turners looks to grow its share of the second hand vehicle market
- Expand Trucks and Machinery network through extension of physical footprint of specialist sites
- Develop bundled approach to finance and insurance
- Integrate the Autosure business into the group and commence commercial operations
- Combine finance entities into single operating business and brand
- Build on existing capability to offer servicing and maintenance

## FY18 Guidance

- Internal target is 10% year-on-year organic growth from Turners' existing businesses plus:
- Any contribution from M&A activity in addition
- Full year contribution from Buy Right Cars
- Full year cash profit contribution from Autosure of \$5.5m with amortisation of \$2.0m

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# CORPORATE STRUCTURE

## Board of Directors

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

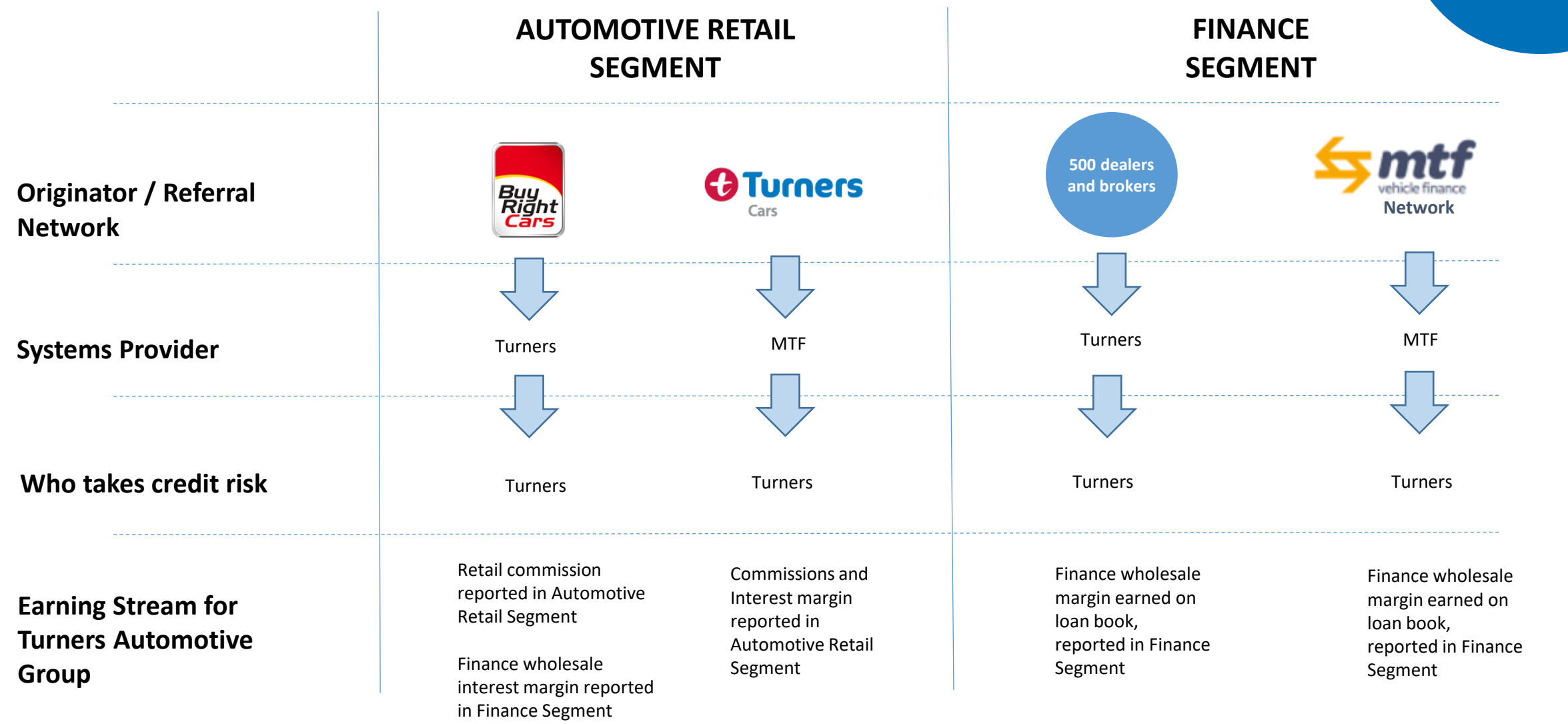
## Major Shareholders (over 5%) as at 31 March 2017

- |                                     |        |
|-------------------------------------|--------|
| • 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	
NZX Code	TRA
Current Market Cap	\$267M
Securities on Issue	74,451,786

# TURNERS - MULTI CHANNEL FINANCE BUSINESS





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

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