



*We Buy, We Sell,
We Finance*

FY18 Full Year Results Presentation For 12 months ending 31 March 2018

TURNERS' AN INTEGRATED AUTOMOTIVE GROUP

Turners Automotive Group - the biggest seller of cars, trucks and machinery in NZ. We finance them and insure them for mechanical breakdown, accident and loan repayments with the best range of products in the market.



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 and Buy Right Cars combined are the largest second hand vehicle retailers 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



CREDIT 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 credit management sector in both New Zealand and Australia through its EC Credit business

THE KIWI CAR ECONOMY

3.85m

Light vehicles in the NZ vehicle fleet



7,232 EVs

7,232 as at the end of March 2018, more than double its size in March 2017.

164,000

used cars were imported into NZ in year ended Mar 18

153,000

New passenger and light commercial vehicles sold into NZ in year ended Mar 18



158,000

Vehicles de-registered in FY18

61%

of people ended up spending less than \$10,000 on their car, 80% were less than \$20,000

14yrs

Is the average age of used vehicle in NZ since 2013

3,500

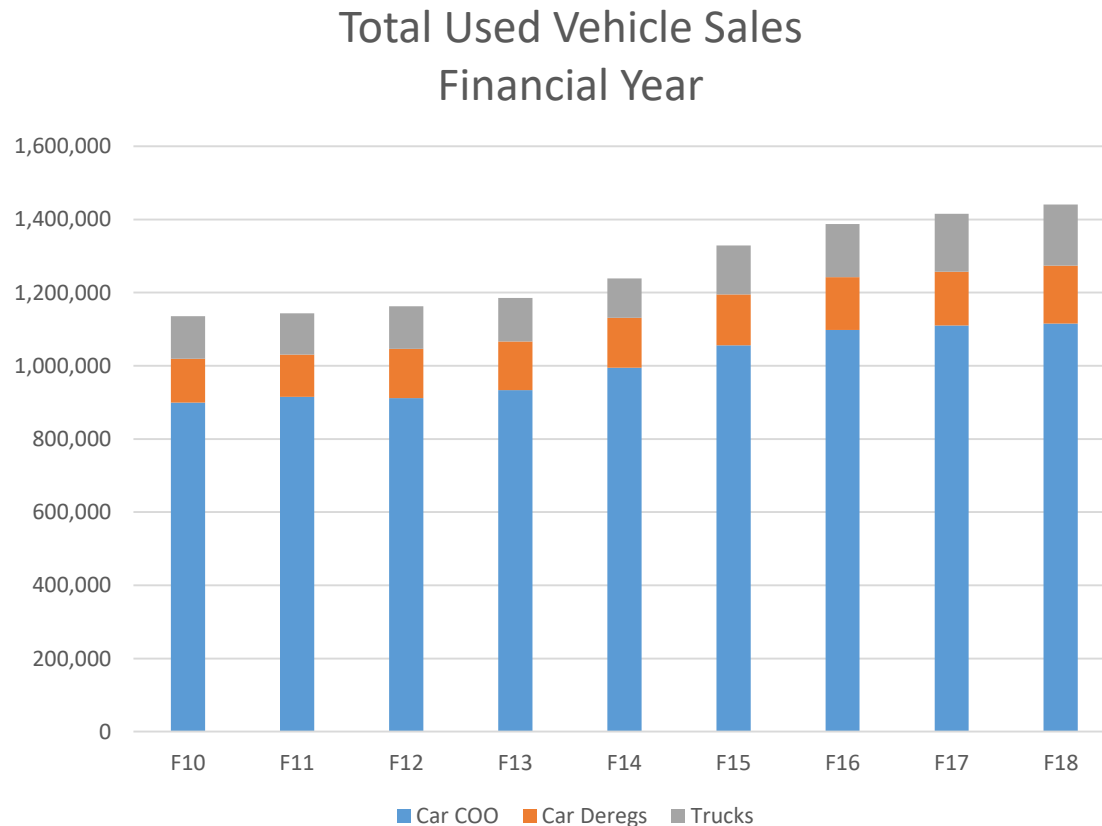
Registered dealers in NZ



21 years

The average age light vehicles were scrapped from fleet was 22 years for an import and 21 years for NZ new

FY18 OPERATING ENVIRONMENT



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

- Used vehicle market continuing to grow:
 - Used cars in line with previous year
 - Used trucks up 5% YOY
 - Damaged and end of life up 11% YOY
- New car registrations (passenger and light commercial) up 5.4% to 153,000 units registered end-March 2018.
- 164,000 used vehicles imported from overseas (53% of total new registrations for FY18)
- Intense competition for originators
- Indications of a tightening credit market



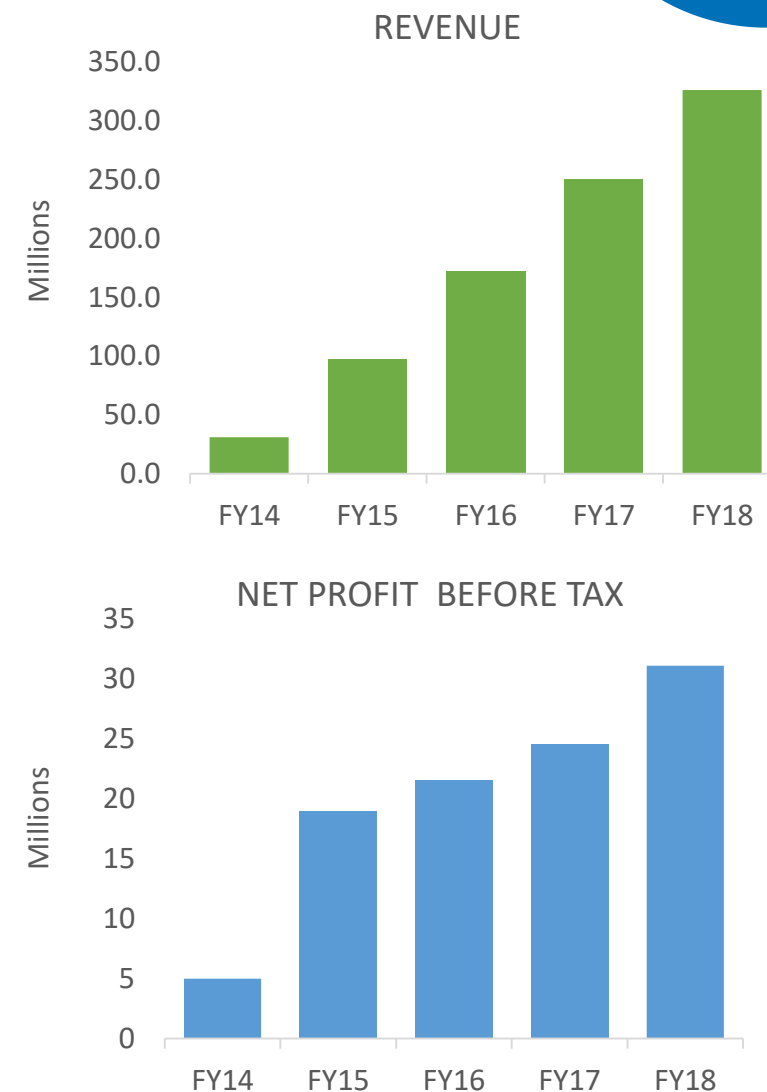
FY18 Financial Results

FY18 FINANCIAL HIGHLIGHTS

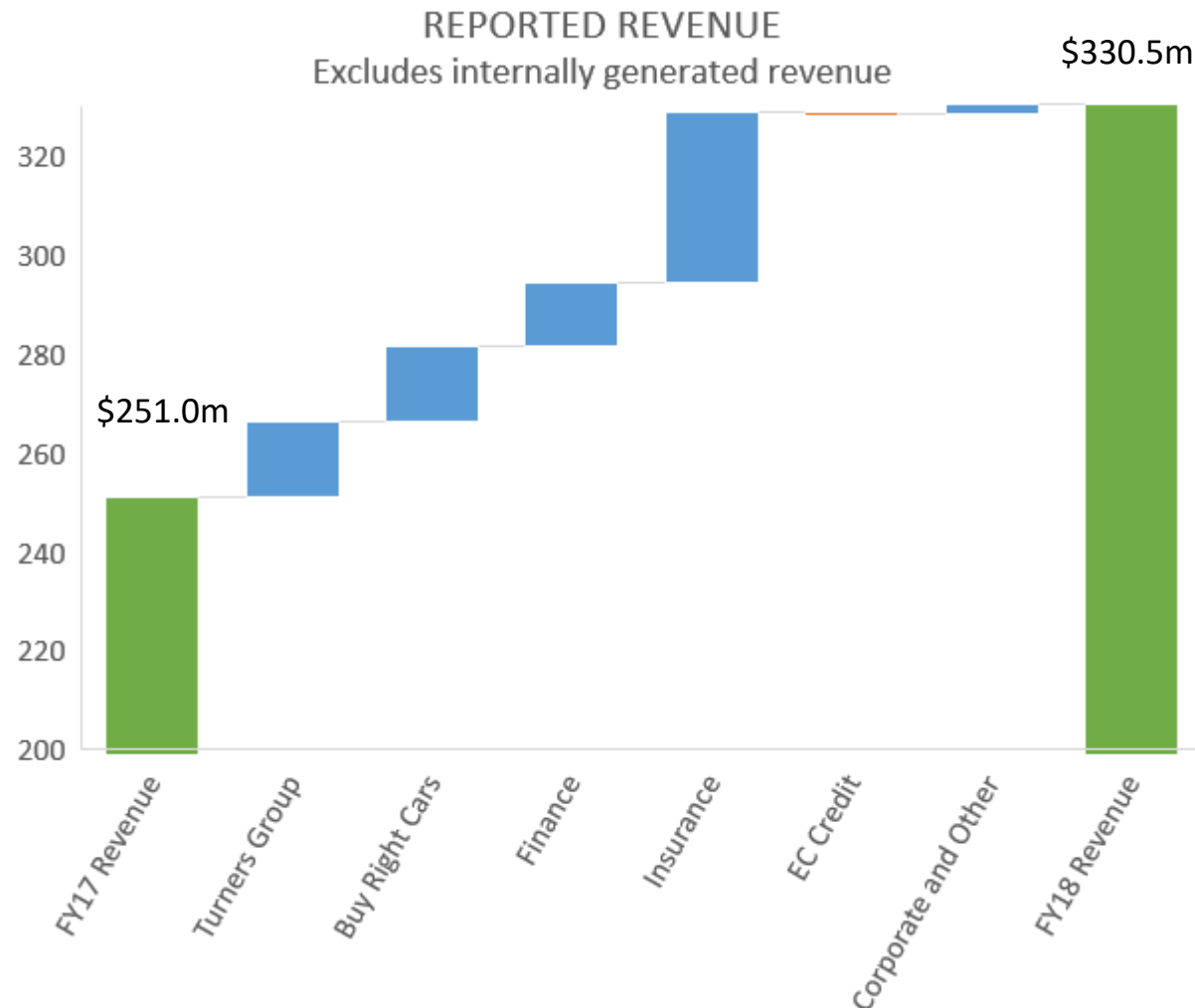
Continuing growth in revenue and profit

Revenue	\$330.5m, +32%
Net Profit Before Tax (Guidance NPBT \$29m to \$31m)	\$31.1m, +26%
Net Profit After Tax	\$23.4m, +33%
NPATA	\$24.9m, +42%
Shareholders' Equity	\$214.3m as at 31 Mar 18
Final Quarter Dividend 5.0 cps	Total FY Dividend 15.5cps, +7%
Earnings Per Share	29.3cps, +15%
FY19 NPBT Guidance	\$34m to \$36m (up 13% on mid)

NPATA – is net profit after tax and tax adjusted add back of amortised acquisition intangibles IE. Autosure portfolios inforce and customer relationships

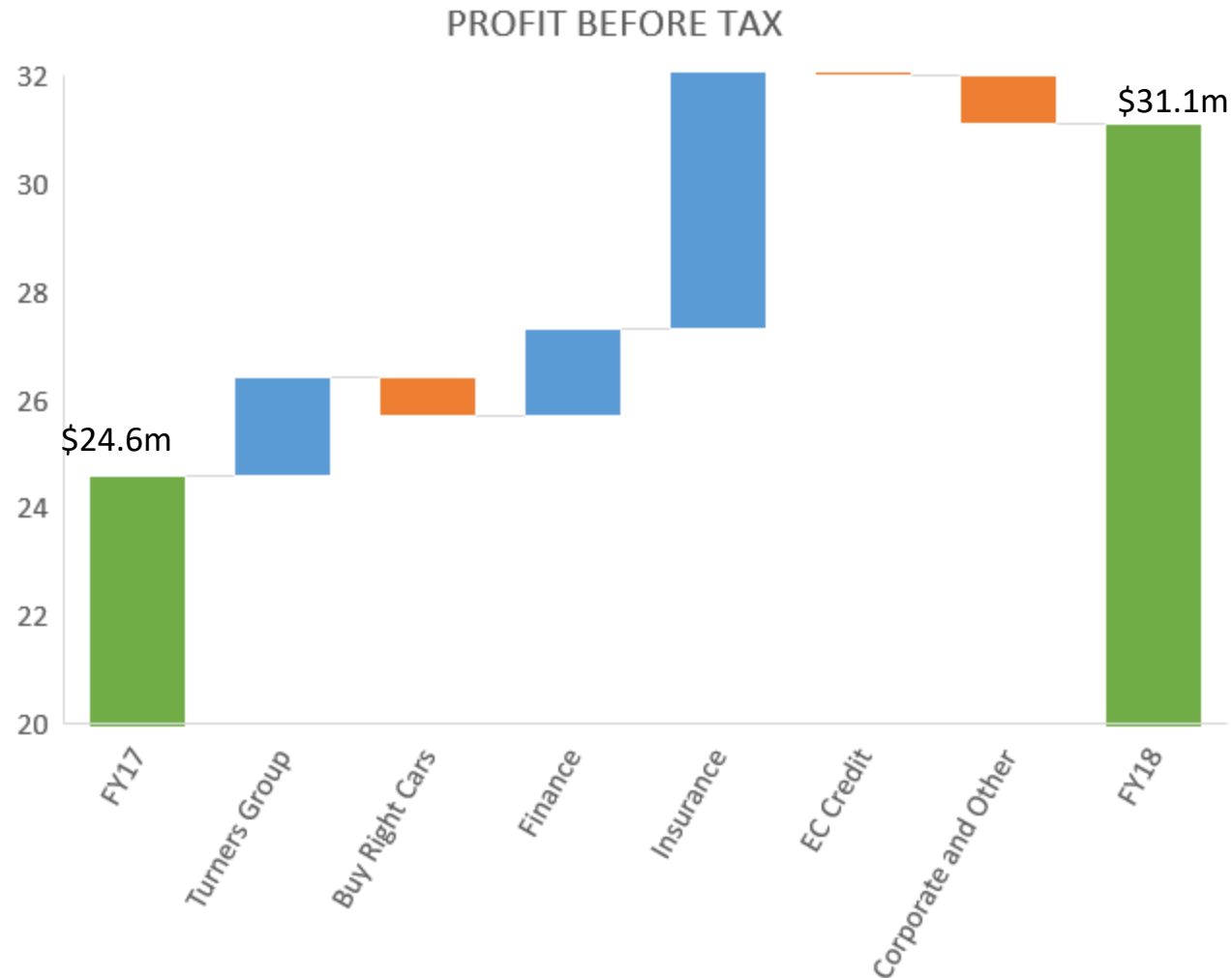


FY17: FY18 REVENUE BRIDGE



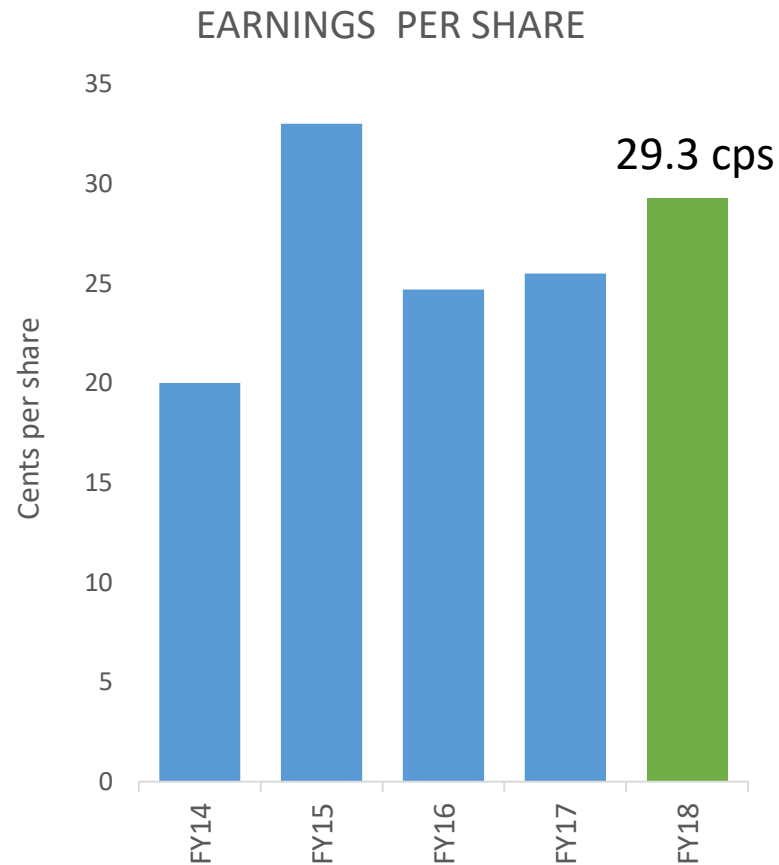
- Continued improvement in retail “end-user” sales in Turners Cars driving growth in add-on finance and insurance sales
- Full year impact of BRC trading
- Finance reflects growth in receivables ledger over the last 18 months
- Insurance has a step change in revenue as a result of Autosure transaction

FY17: FY18 PROFIT BRIDGE



- Turners Group shows incremental improvement across all divisions
- BRC impacted by margin compression and dealing with aged stock issue
- Finance result improvement due to increase in ledger up 39%
- Insurance showing step change in profits from Autosure
- EC Credit Control showing good underlying growth in NZ whilst Australia remains work in progress.
- Corporate and Other costs include ASX listing costs, acquisition amortisation and acquisition earnings adjustments.

EARNINGS PER SHARE AND DIVIDEND



Dividend Policy Change: Increase in pay out ratio of 50% to 60% of NPAT

- FY18 fully imputed quarterly dividends and fully imputed
 - Q1 @ 3.0c per share
 - Q2 @ 3.0c per share
 - Q3 @ 4.5c per share
 - Q4 @ 5.0c per share
- FY18 full year dividend of 15.5 cents per share (FY17: 14.5 cps imputed)
- Fully imputed dividend yield of 5.3% at current price of \$2.93

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

BALANCE SHEET

\$m	FY18	FY17
Cash and cash equivalents	25	69
Other Financial Assets	53	10
Finance Receivables	290	207
Inventory	39	45
Property, Plant and Equipment	36	19
Intangible Assets	171	172
Other Assets	38	35
TOTAL ASSETS	652	557
Borrowings	317	266
Other Payables	35	28
Deferred Tax	19	20
Insurance Contract Liabilities	49	43
Other Liabilities	18	28
TOTAL LIABILITIES	438	385

- Cash change due to investment of \$42m into term deposit for insurance reserves. Explains increase in Other Financial Assets
- Growth in Finance Receivables from MTF Non recourse and OFL
- Focus on faster turn in inventory and a reduction in aged stock has delivered improved working capital efficiency
- \$19m was invested in capital projects primarily in updating and repositioning our branch network

FUNDING MIX

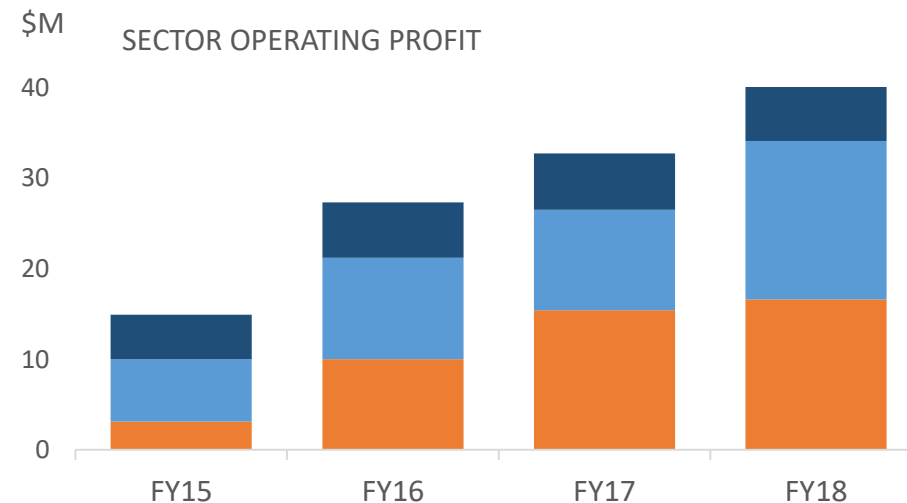
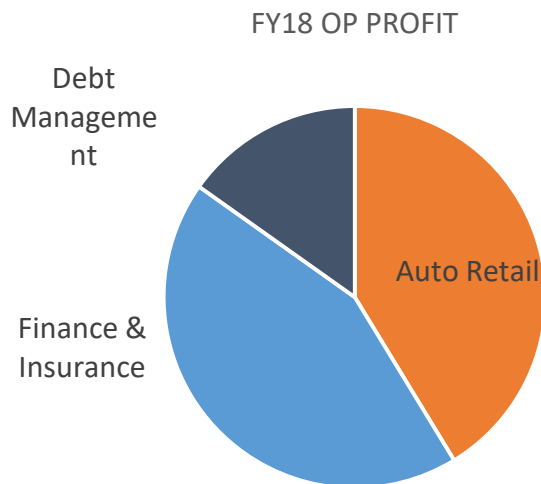
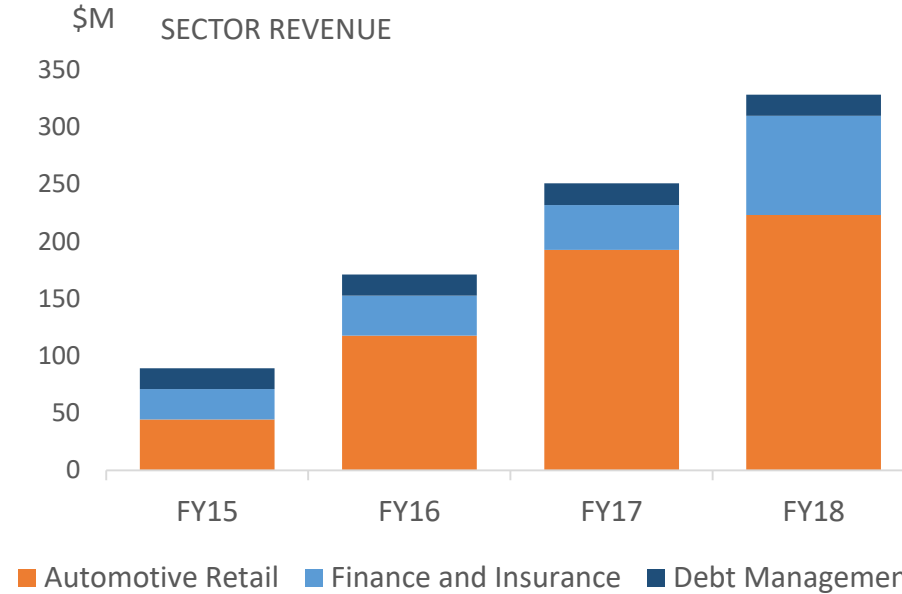
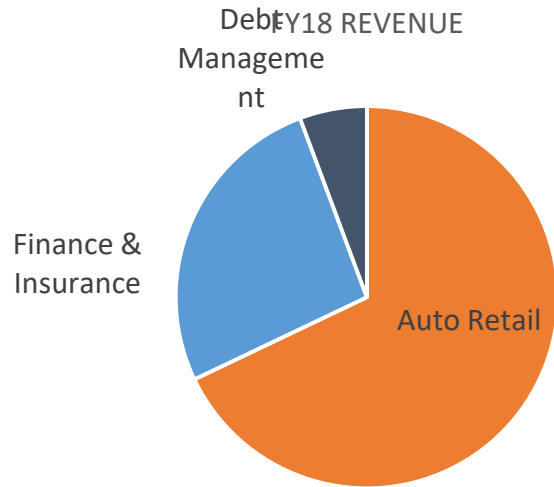
	FY18 \$m	% of Total	FY17 \$m	% of Total
TOTAL ASSETS	652		557	
Equity	214	33%	172	31%
Convertible bonds	26	4%	26	5%
Securitisation Funding (BNZ)	133	20%	69	12%
Bank Funding [Corporate BNZ & ASB]	97	15%	122	22%
MTF Finance Receivables Funding	59	9%	49	9%
Insurance Contract Liabilities	49	8%	43	8%
Life Investment Contract Liabilities	7	1%	13	2%
Payables and Deferred Revenue	49	8%	43	8%
Deferred tax liability	19	3%	20	4%

- \$30M capital raise in Oct 17
- Convertible Bonds of \$26M mature Sept 2018.
- Growth in Securitisation Warehouse reflects growth in finance book and substitution of corporate bank funding
- \$140m syndication facility with ASB and BNZ completed May 2018.
- Growth in MTF funding driven by growth in Turners Finance.



Sector Performance

FY18 SECTOR RESULTS



Automotive Retail the largest contributor: 68% revenue and 41% Operating Profit

Annual trends reflect acquisition and organic growth

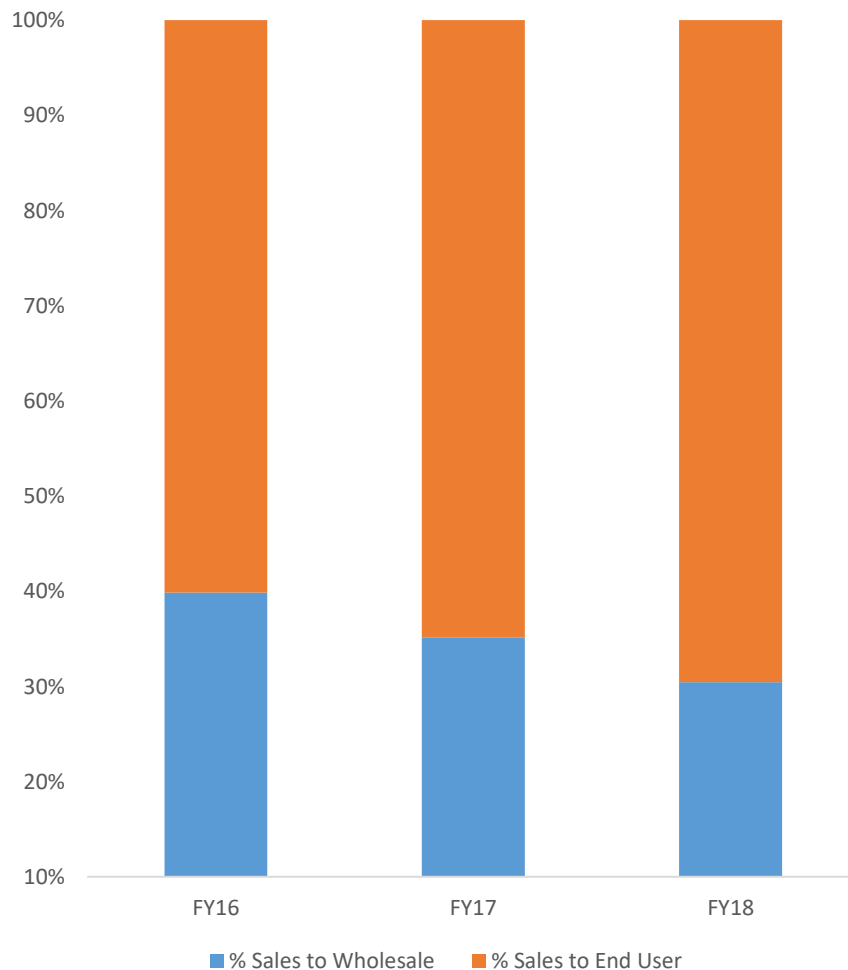
Step up in FY18 in Auto Retail – acquisition of Buy Right Cars; and Insurance – acquisition of Autosure

Balance between transactional income from Auto Retail and annuity income from Finance & Insurance. Consistent returns from Credit Management business

AUTOMOTIVE RETAIL

Revenue \$223.2m +16%, Op Profit \$16.6m +8%

Sales by Customer Type for Turners Cars



- Turners Group strong result with operating profit up 15% off revenue growth of 10%.
- Continuing increase in fixed price sales (cf auction or tender) - up 17% YoY with sales to end users at 70% of all car purchases
- Corresponding increase in finance contract sales (16% increase in loans written, 15% increase in MBI policies sold)
- Percentage of 'owned vehicles' increased to 50% (up from 48%) of transactions – better margins
- Expansion of physical footprint with new sites for both Cars and Trucks & Machinery
- Recent market research confirms Turners as most trusted used car brand in NZ
- Recently inked partnership with Auto Super Shoppes (83 workshops in NZ) for delivery of service and maintenance products

AUTO RETAIL: BUY RIGHT CARS



PART OF
Turners.
Automotive Group

Turners Automotive Group is New Zealand's largest automotive company.

Customer view of Buy Right Car and Turners TRA Market Research Nov 2017

Recent brand research reflects positively on quality customer experience that Buy Right Cars provides

	Turners	Buy Right Cars
Satisfaction	87%	88%
Likelihood to Repurchase	71%	77%

- Revenue growth of 34% reflecting full year of operation, operating profit down 21%.
- Financial performance has disappointed as new management team deals with legacy issues
- New management team in place since November 2017
- Dealing with aged inventory issue
- Earn-out mechanism working as intended
- Closer association with Turners Auto Group branding to be implemented
- Grown physical footprint by one branch in FY18 (Penrose). Targeting three new branches over the next two years

AUTO RETAIL: PROPERTY OPPORTUNITY



Concept design for Cambridge Terrace site in Wellington

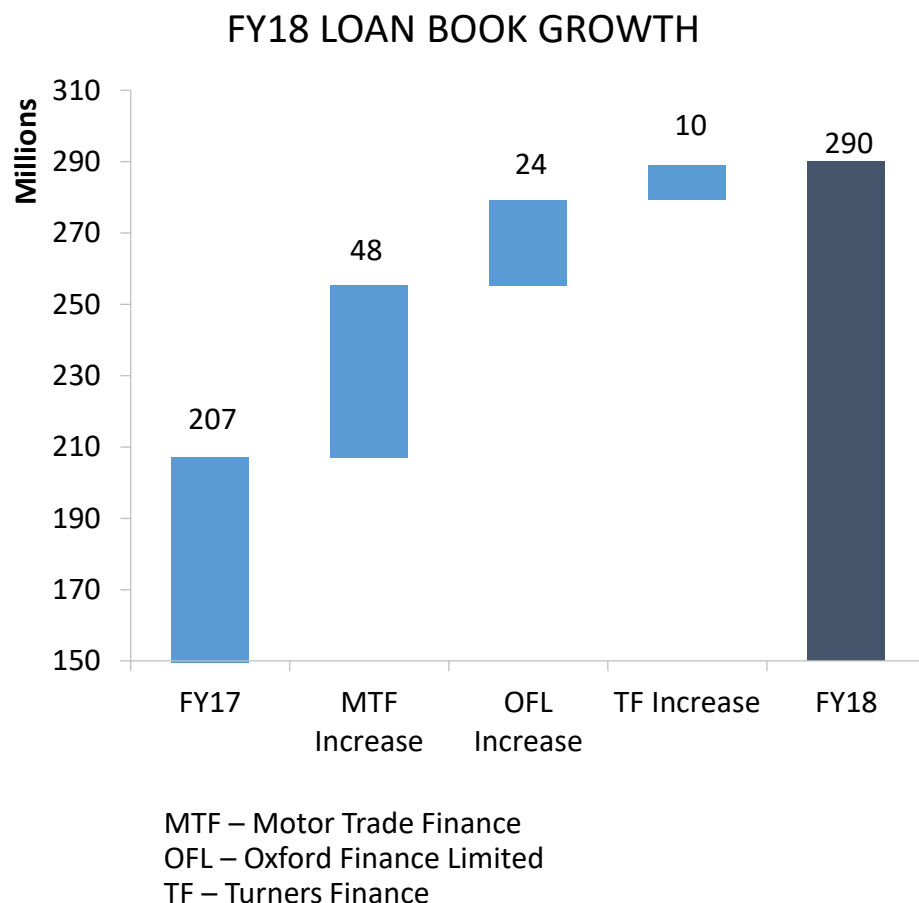


Wellington bound container offices in Chinese manufacturer

- Property reconfiguration to drive improved retail experience for further growth
- Used vehicle business creates opportunity to be innovative in location and configuration eg container offices
- Purchasing either brown fields or bare land with straight forward developments with customised lease
- Sale and lease back provides profit opportunity to capitalise on “Turners” brand as a tenant
- Five years of property opportunities ahead including large projects in Auckland and Christchurch
- Completed 2 major projects value \$16M during FY18 (Porirua Turners Cars and Wiri Trucks and Machinery)

FINANCE

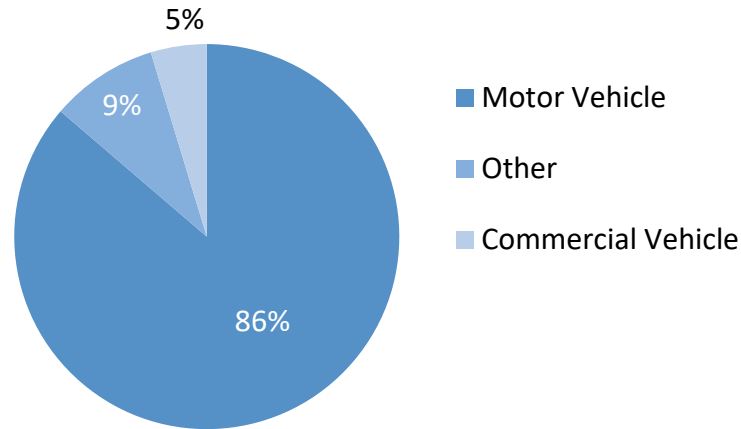
Revenue \$39.7m +48%, Op Profit \$11.7m +16%



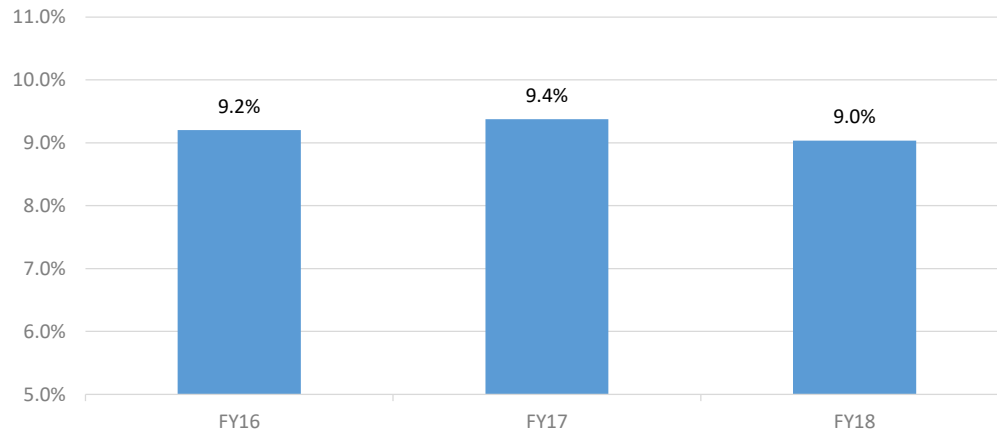
- Finance receivables growth has continued, up 40% to \$290m from March 2017
- Continued enhancements of online loan approval platform AutoApp (insurance integration key deliverable)
- Continue to tighten credit criteria to position the business for any change in the credit cycle
- Captive channel lending IE Turners Cars and BRC delivers higher quality loans (more control)
- Integration and consolidation of finance brands into single entity is complete

FINANCE DRILL DOWN

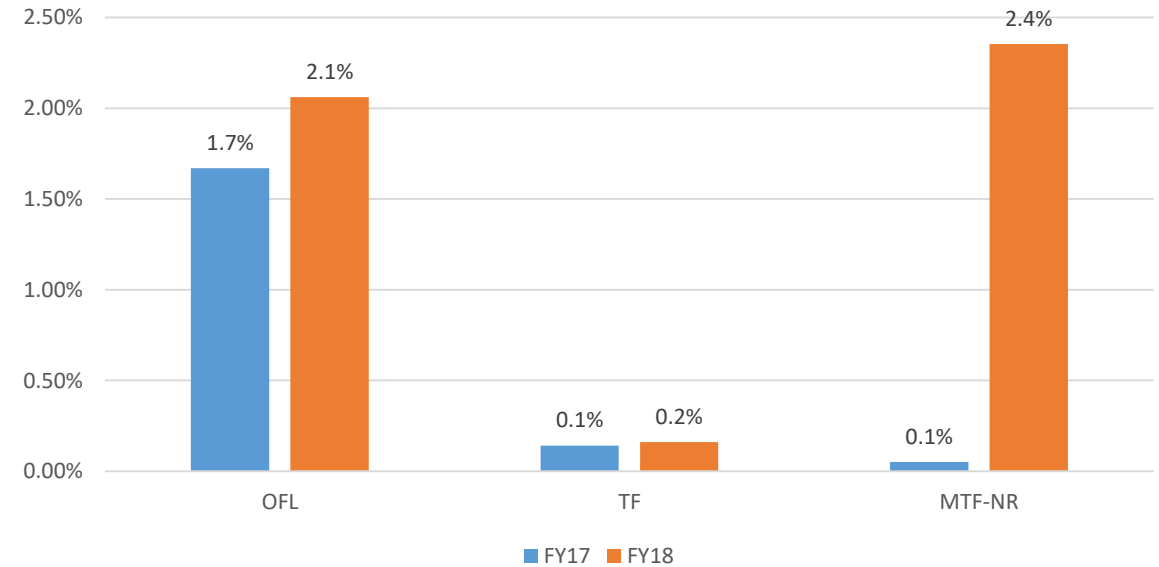
FY18 TOTAL LENDING BY ASSET CLASS



Net Interest Margin



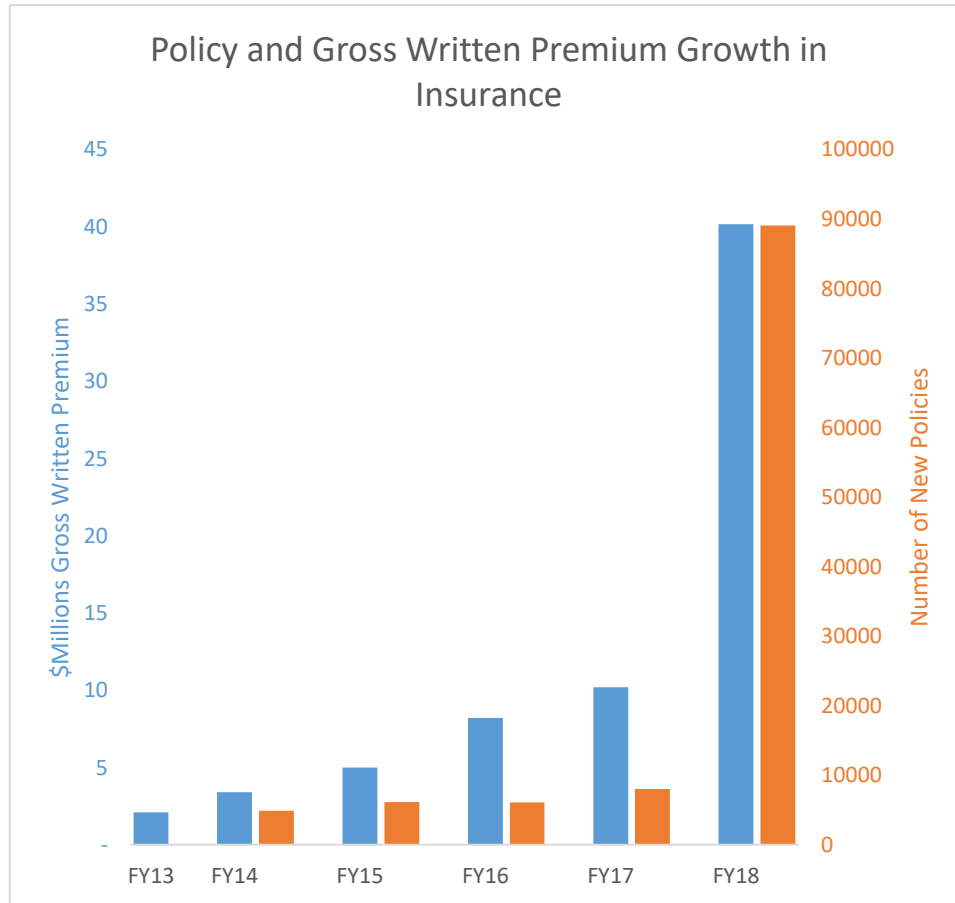
Consumer Instalment Arrears by Finance Book



- Total instalment arrears tracking at 2.0% (1.0% at end-March 2017)
- Arrears deterioration most noticeable in MTF – Non Recourse (NR) book. An overhaul of the credit criteria and on boarding process has resulted in lower loan volumes but higher quality new lending.

INSURANCE

Revenue \$46.9m +283%, Op Profit \$5.7m, +518%



- Autosure acquisition creates step change in scale of insurance business in FY18
- Consolidation of insurance brands into single entity
- Use of data analytics to re-price risk
- GEP at 4% above budget for Y18
- 15% increase in policies sold through Turners captive channels to 8,500 policies.
- Loss ratios at 70% tracking 3% above budget, implementing initiatives to reduce to below 68% for FY19
- Identified opportunity to allocate a proportion of insurance reserves to support auto retail property expansion

CREDIT MANAGEMENT

Revenue \$18.7m, Op Profit \$6.1m – in line with FY17



- Solid and consistent performer, delivering good cashflow and profitable returns
- Continue to increase debt load from key NZ corporate accounts at expense of competitors
- Still big opportunity in Australian corporate market (under penetrated)
- Strong Terms of Trade product sales in NZ up 20% v FY17
- Auto Dialler technology performing well and creating significant lift in productivity
- Early stages of a strategic partnership established with IODM, an Australian based online automated accounts receivable solution provider, 23 clients subscriptions signed up at end of Mar 18
- Result includes \$0.4m unredeemed voucher release (\$1.1M FY17)



Opportunities and Strategic Focus

STRATEGIC IMPERATIVES



Ollie - star of the Turners' TVCs

CUSTOMER FIRST:

- Keep developing 'Customer First' culture across all businesses
- Improve the quality of customer experience – both in-person and online

QUALITY LENDING:

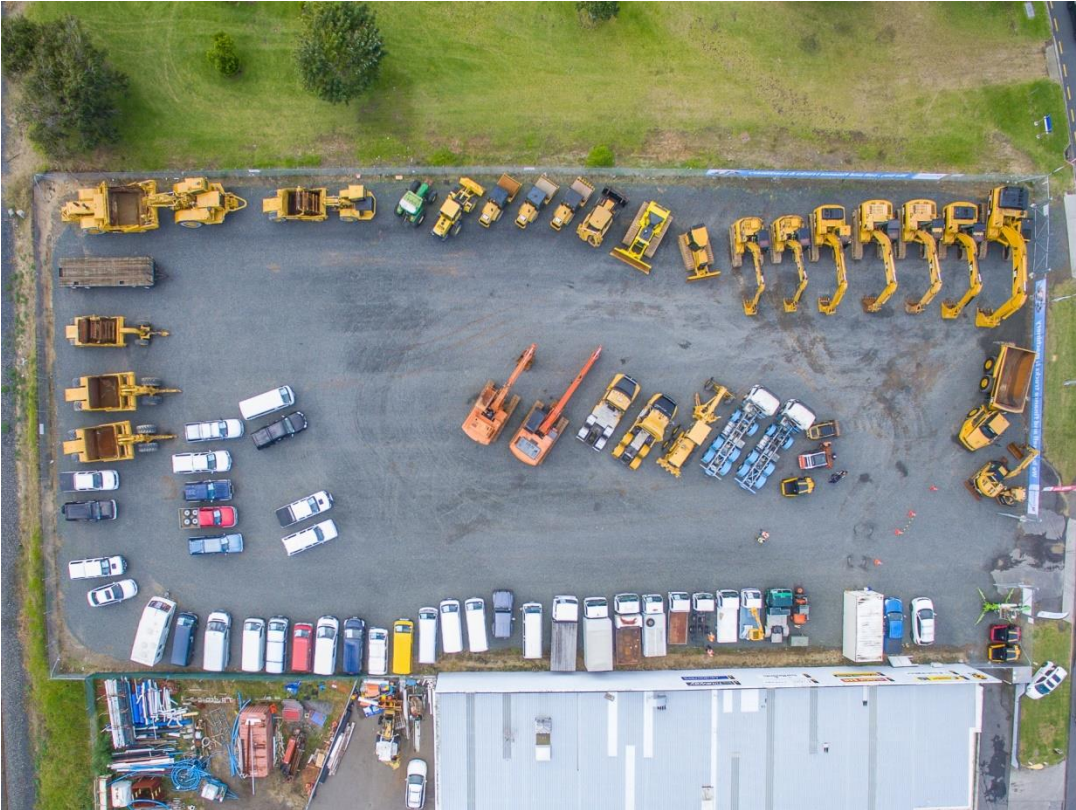
- Continue transition to higher quality, more profitable lending

UTILISE WEALTH OF DATA:

- Access and drive value from the wealth of data in the business to engage with our customers, and deliver better service

LEVERAGE OUR UNIQUE AUTOMOTIVE ECO-SYSTEM TO MEET OF OUR CUSTOMERS NEEDS

KEY FOCUS FOR FY19



Turners Trucks and Machinery Tauranga

- **AUTO RETAIL** – Customer experience (people and property), redirect Finance into OFL, leverage trucks and machinery network
- **FINANCE** – redirect finance from Turners into OFL, Customer experience quicker and easier through smart data analytics, re-position to higher quality lending
- **INSURANCE** –continue pricing for risk, procurement / cost out initiatives, replace dealer retail selling system,
- **CREDIT MANAGEMENT** - customer acquisition Australia, implement collections scorecard, target higher debt load from existing customers

OUTLOOK

- Used car market is resilient, less discretionary than new
- A large aging vehicle fleet that needs to be replaced
- 80% of people purchasing vehicles under \$20k
- High trust position in the “Turners” brand

FY19 NPBT guidance \$34 million to \$36 million



Questions

Contact:

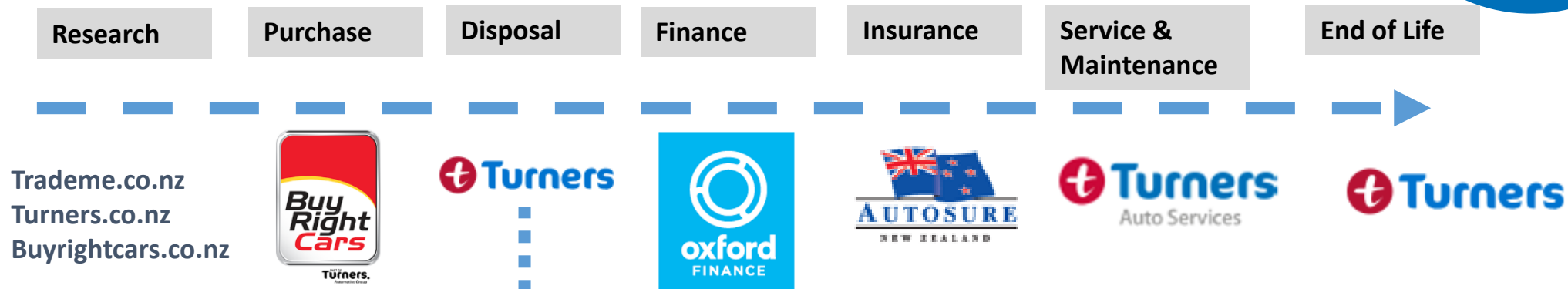
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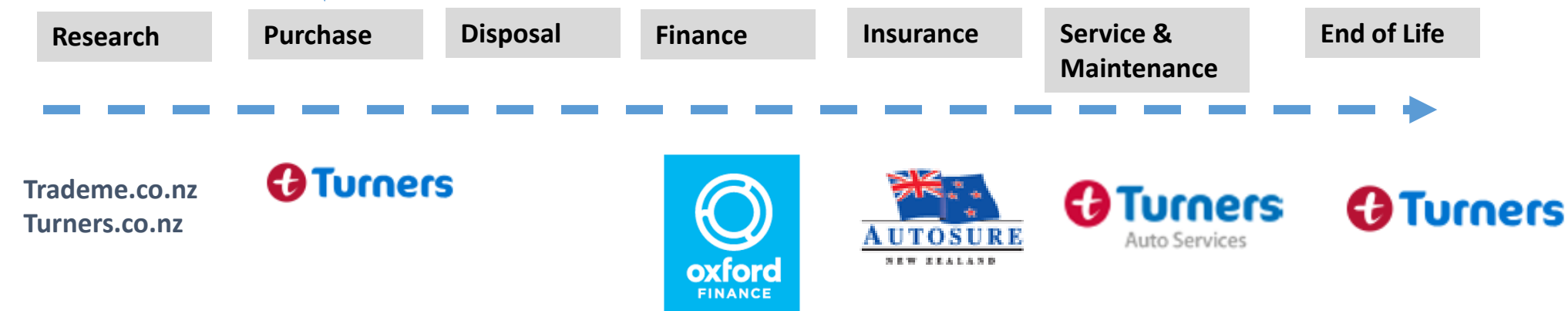
Appendix

EXAMPLES OF TURNERS ECOSYSTEM

Nina is looking to upgrade her current 7 year old car, finds a late model ex-rental at Buy Right Cars

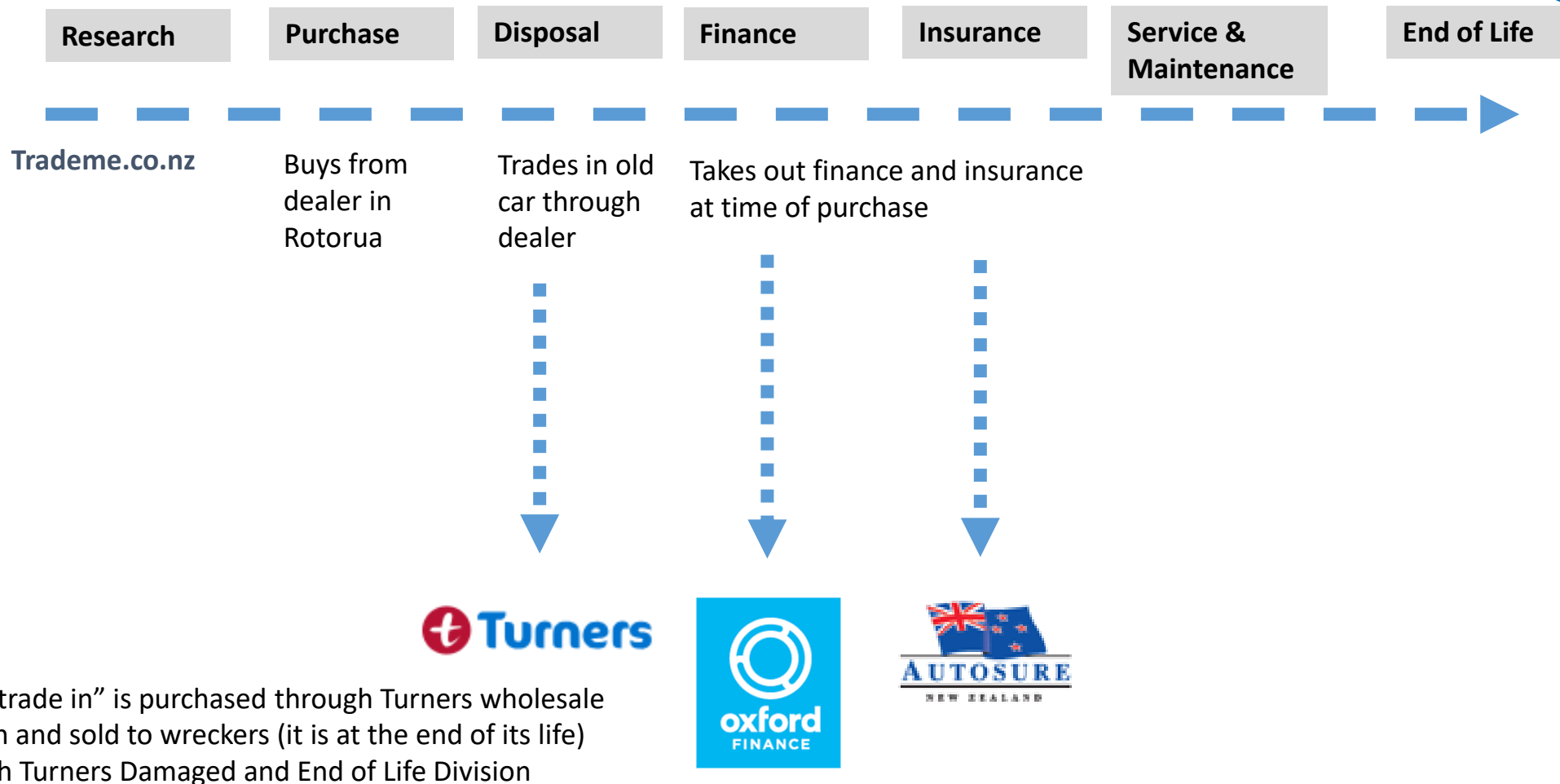


Liz is looking for a larger car to run the kids around



EXAMPLES OF TURNERS ECOSYSTEM

Tim is looking for a used import on TradeMe and finds the perfect car through a dealer in Rotorua



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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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