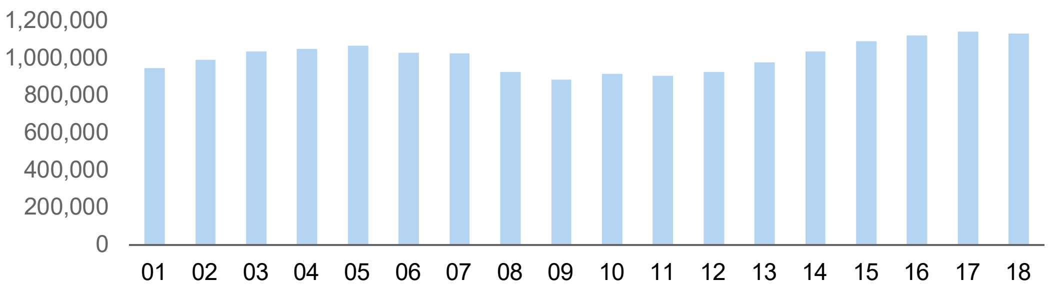
FY19 Full Year Results Presentation

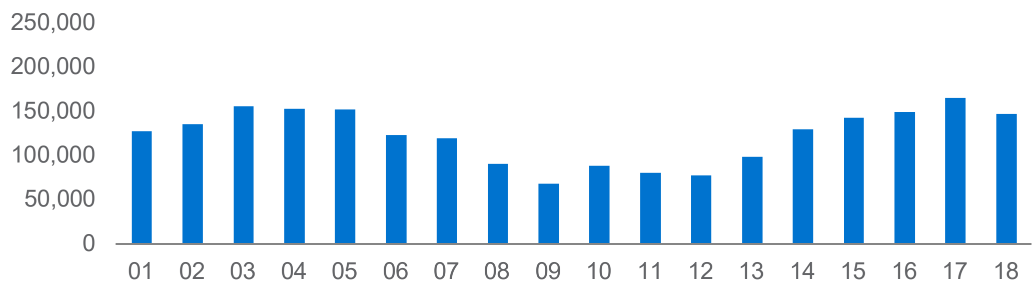
For twelve months ending 31 March 2019

NZ used car market still at strong historic levels

Annual changes in used vehicle ownerships



Annual registrations of used, ex-overseas vehicles



Source: NZTA – Used Car Change of Ownership Stats

- After a period of growth used car change of ownership numbers have plateaued.
- Underlying demand still strong with more cars exiting fleet due to cost of repairs increasing and a stricter WoF regime from NZTA.
- Mar 2020, all vehicles imported into the country required to have ESC, impact in sub $8k budget segment.
- Margins have recovered from low point Oct/Nov 2018.

The Kiwi car economy

3.85m
Light vehicles in the New Zealand vehicle fleet

953,000
The number of cars in the light vehicle fleet that are 20 years or older

1.13 m
used cars were traded to the year ended 31 March 2019 down 1% on year ended Mar 18

13,000 EVs
The number of EVs registered in New Zealand to end of March 2019

140,000 cars
Used cars imported from Japan for year ended Mar 2019 down 5% on Mar 18

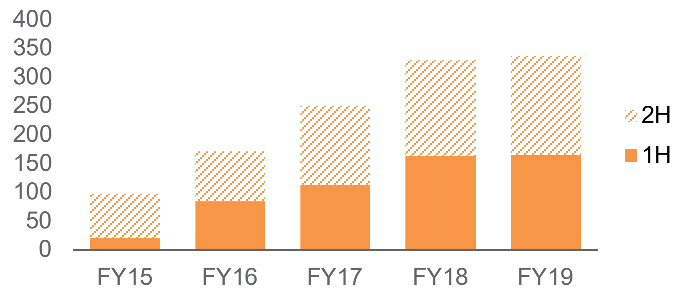
204,000
Average odo reading for a scrapped car in the light fleet for 2017

18.5 years
The average age light vehicles were scrapped from fleet was 19.5 years for an import and 17.5 years for New Zealand new in 2017

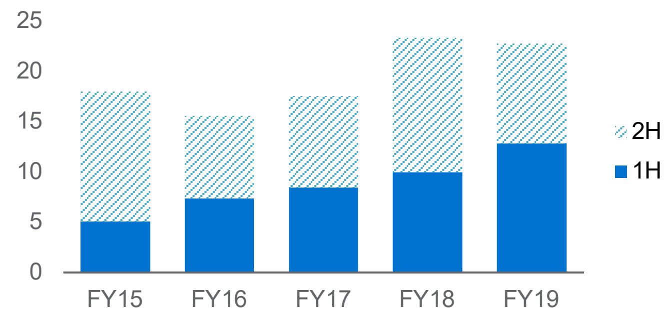
FY19 results snapshot

Revenue **$336.6m** +2%	Shareholders' Equity **$226.4m as at 31 Mar 19**
Net Profit Before Tax **$29.0m** -7% ($33.6m excl BRC brand write down)	Final Dividend 5.0 cps **Total FY Dividend 17.0cps**
Net Profit After Tax **$22.7m** -3%	Earnings Per Share **26.3cps** **(FY18 29.3cps,** -10%**)**
NPATA **$24.3m** -3%	

Revenue (millions)



Net profit after tax (millions)

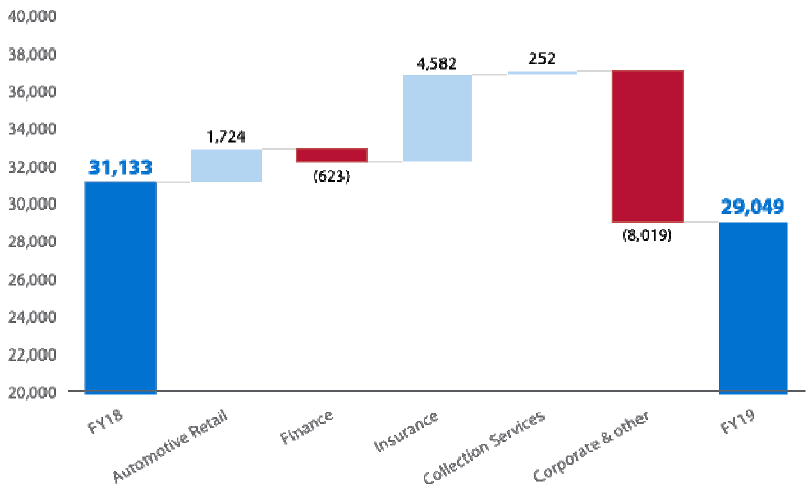


NPATA – is net profit after tax and tax adjusted add back of amortised acquisition intangibles IE. Autosure portfolios inforce and customer relationships.

HY18: HY19 profit before tax bridge

Operating profit

NPBT Bridge FY18 to FY19 ($000s)



- Turners Group improvement in local margins offset by drop in import margins. Damaged vehicle volumes and revenues positive. Buy Right Cars affected by tough market conditions in Auckland used import market (down 15% YoY)
- Finance result impacted by impairment in the high risk MTF non-recourse lending (now discontinued) and changes to expected credit loss provisioning. (IFRS9)
- Insurance result reflects improvements in claims management, and property profits ($3m)
- EC Credit improved result in NZ collections revenues
- One off impacts of Buy Right Cars brand write off ($4.3m) and asset sales ($6.8m)

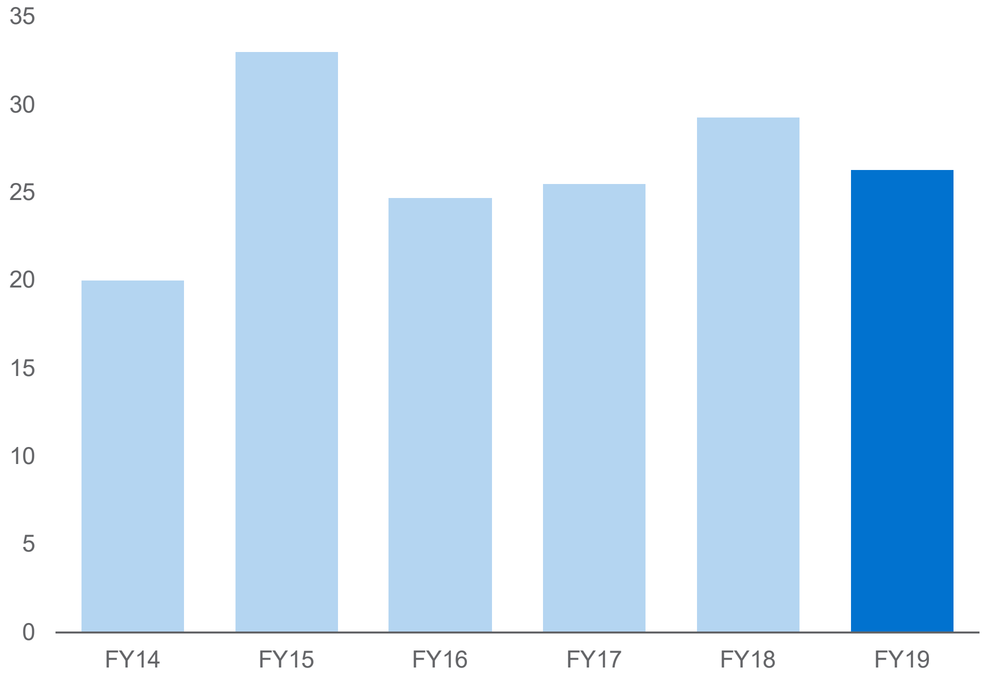
Reconciliation: NBPT to underlying NBPT

$000s	FY19	FY18	Var
Underlying Operating Result	**25,775**	**25,953**	**-0.7%**
Other Adjustments			
EC Vouchers	164	433	
Worsley Prestige revalutation	830	820	
MTF Share revaluation	0	590	
Acquisition adjustments	-4,570	2,664	
Sale of Property	3,457	673	
Property Settlement Albany site	3,393		
Total Adjustments	3,274	5,180	-36.8%
Profit before tax Actual/Forecast	**29,049**	**31,133**	**-6.7%**

- Property sale and lease back in line with Turners' property strategy
- Total "unredeemed voucher liability" for ECCC stands at $1.6m as at 31 Mar 2019
- Prior year revaluation of shareholding in MTF shares to adjusted market value
- Prior year reduction in Buy Right Cars and Autosure earnout consideration and interest payable based on reduced sales and purchase agreement metrics.

Earnings per share and dividend

Earnings per share
(Cents per share)



- Dividend Policy Change: Increase in pay out ratio to 60% to 70% of NPAT
- FY19 fully imputed quarterly dividends and fully imputed
  - Q1 @ 4.0c per share
  - Q2 @ 4.0c per share
  - Q3 @ 4.0c per share
  - Q4 @ 5.0c per share
- FY19 full year dividend of 17.0 cents per share (FY18: 15.5 cps imputed)
- 4.6m shares issued to convertible bond holders
- 2.6m shares purchased during Share Buy Back programme reducing issued shares by 3%
- Cash dividend yield of 6.9% at indicative current price of $2.46 (excluding imputation credits)

Balance sheet

$000s	FY19	FY18
Cash and cash equivalents	15,866	25,145
Financial assets at fair value	66,252	53,378
Finance Receivables	290,017	289,799
Inventory	38,859	38,596
Property, Plant and Equipment	39,084	35,945
Other Assets	37,100	37,887
Intangible Assets	166,734	170,982
TOTAL ASSETS	**653,912**	**651,732**
Borrowings	312,863	317,373
Other Payables	31,729	34,875
Deferred Tax	13,918	18,786
Insurance Contract Liabilities	51,785	48,376
Other Liabilities	17,243	17,999
TOTAL LIABILITIES	**427,538**	**437,409**

- Reduction in cash balances due to investment of insurance reserves into longer dated term deposits
- Change in Finance Receivables reflects growth in Oxford offset by rundown in MTF non-recourse ledger
- Property, plant and equipment increase due to development of new sites in Whangarei and North Shore
- Insurance contract liabilities increase reflect growth in Autosure policy sales

Funding mix

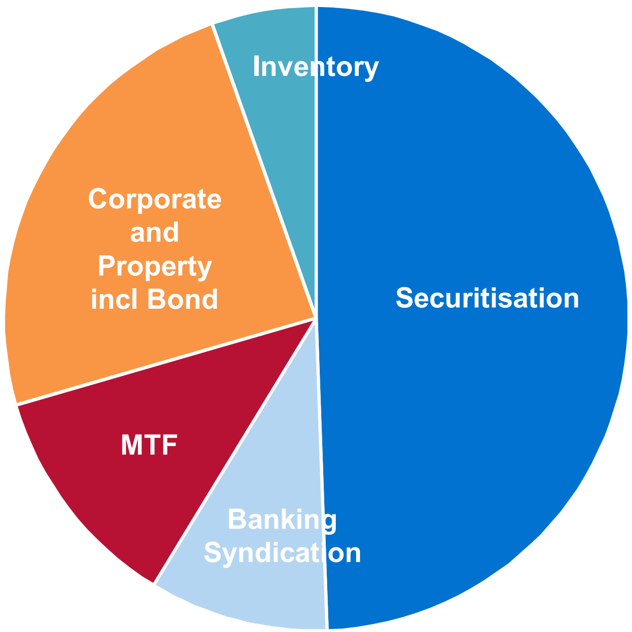
Borrowings

$Millions	Limit	Drawn	Undrawn
Receivables – Securitisation (BNZ)	184	155	29
Receivables – Banking Syndicate (ASB/BNZ)	70	29	41
Receivables – MTF	60	37	23
Corporate & Property [incl Bond]	85	75	10
Inventory (ASB)	30	17	13
Totals	**429**	**313**	**116**

- Banking syndicate (BNZ & ASB) established May 2018
- Securitisation funding facility limit extended to $200m November 2018
- New three year bond issued October 2018 to replace convertible bond (issued in 2016)

Borrowings by utilisation

As at 31 Mar 2019



Automotive retail

Revenue 225.7m +1.1%, Segment Profit $18.3m +10.2 %

Turners Group
Revenue $162.3m, down 1%. Segment profit $19.1m, up 35.7%

- Profit includes $3.4m of one off gains.
- Continuing increase in BuyNow (retail sales) – up 3% YoY, with sales to end users at 67% of all car purchases
- Owned fleet reduced to 49% from 50% in FY18 due to increase in consignment units particularly lease returns which were up 30% on FY18 levels.
- Margins on local purchased stock improved 13% on FY18 to $486 per unit. Margins on import stock dropped 64% to $393 per unit over FY18.
- Damaged vehicle units up 4% in FY19.
- New branches in New Plymouth and Wellington City open and performing well.
  New North Shore branch still on schedule for end of Q2 FY20.
- NPS continuing to track up 61% at year end compared to 49% at half year.

Turners Cars Whangarei

Automotive retail

Revenue 225.7m +1.1%, Segment Profit $18.3m +10.2%

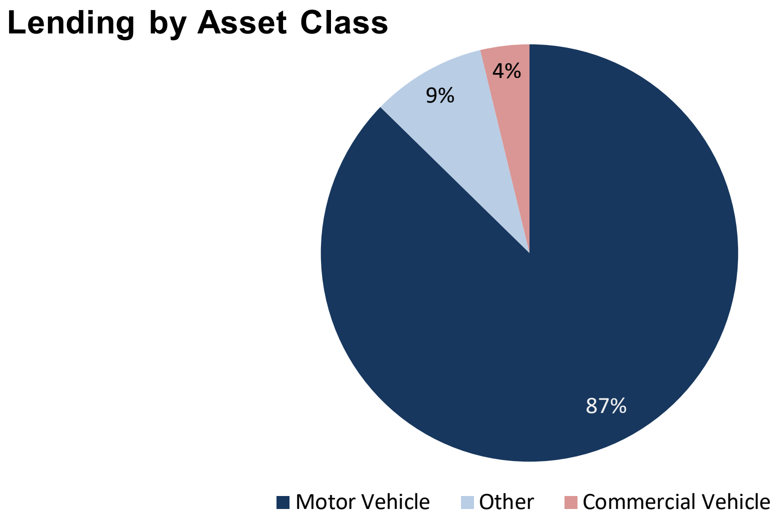
Buy Right Cars
Revenue $63.4m, up 7%. Segment profit $(0.9m) loss, down 136%

- Temporary branch opened in Hamilton before larger format branch opens in Q2.
- A number of cost out initiatives in place, including closing down the under-performing Lambie Drive Branch.
- Transition to Turners Cars brand has been completed swiftly and cost effectively ($250k).
- Market conditions have been challenging in key market of Auckland (ex-overseas AKL).
- Finance attach rate remains at market leading levels 47% for FY19 (45% for FY18).
- Average margin per unit down 10% cf. FY18.

New Lynn rebranded with Turners Cars

Finance

Revenue $44.2m +11%, Segment Profit $11.1m -5%



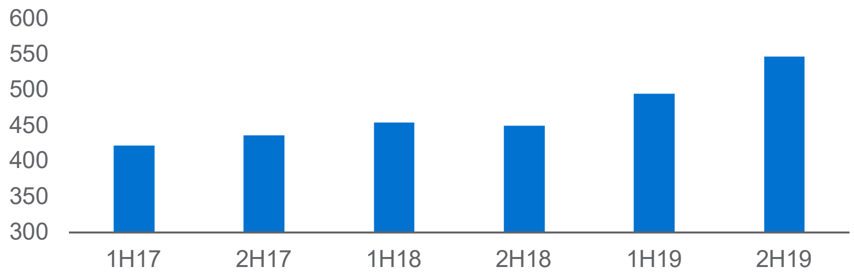
- Directing Turners Cars lending into Oxford milestone achievement in FY19, new lending from Turners at $28M.
- MTF non-recourse book in run out, Mar 19 net receivables balance at $35m, down 43%.
- Impairment expense in OFL is up 25% to $7.4m
- Continued progress on repositioning towards higher quality borrowers through progressive tightening of credit policy and introduction of comprehensive credit scoring in Mar 19.
- Active dealers up 11% to 419 cf FY18.
- 1 in 5 loans auto approved through AutoApp, continue to invest and innovate through this platform.

MTF – Motor Trade Finance OFL – Oxford Finance Limited TF – Turners Finance

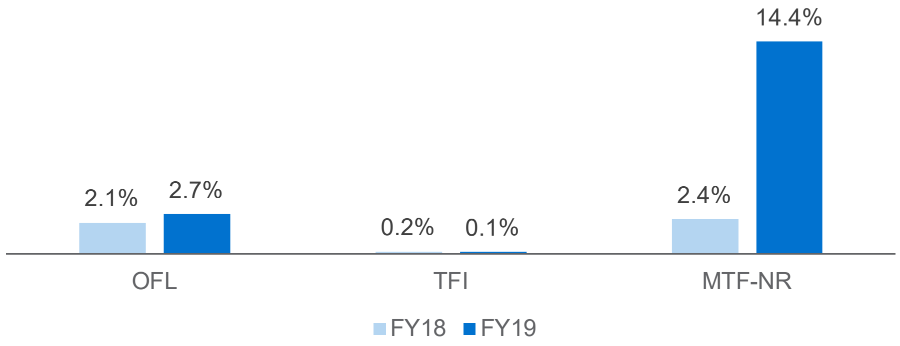
Finance drill down

Improving Customer Credit Scores

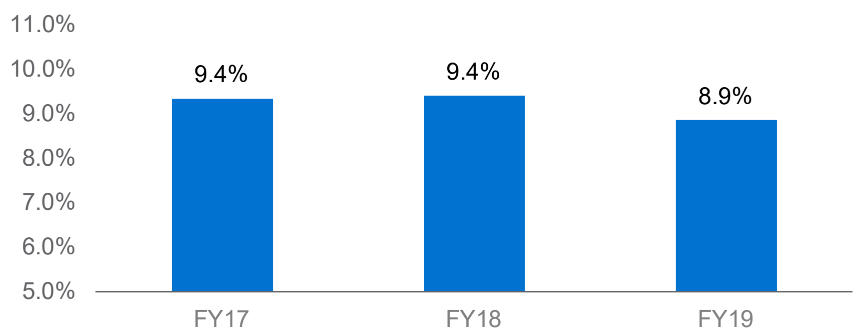
Average customer VEDA credit score



Consumer Payment Arrears by Channel



Net Interest Margin

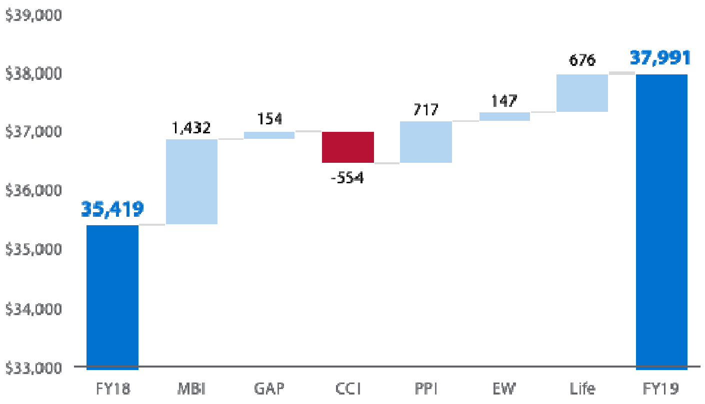


- Credit scoring enhanced by combining negative Veda scores and comprehensive scoring from Centrix.
- NIM tracking down as expected due to lower risk loans being added to portfolio.
- Impairments on high risk category loans not improving… Total instalment arrears excl MTF non recourse impairments 2.0% (1.6% FY18).

Insurance

Revenue $48.5m +3%, Segment Profit $8.2m +126%

Net Earned Premium FY18 to FY19 ($000)



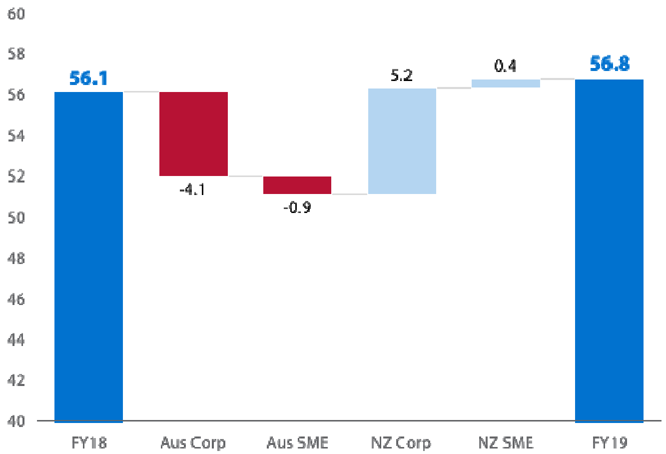
- Improvements in loss ratios across all insurance products. Combined loss ratio 62% (FY18: 68%), MBI loss ratio at 72% (FY18 at 78%).
- Replacement of selling system for dealers completed and integration into Vero NZ for refreshed suite of insurance products and new mechanical breakdown policy pricing and vehicle category criteria.
- Continued review of dealers portfolio performance for risk pricing and review of incentives and rebates.
- Continued investment in training dealer staff to improve sales of PPI, GAP and MVI and support good conduct practises and adherence to compliance requirements.
- Result includes gain on sale in investment property of $3.0m
- Investment returns improved by 38% over FY18.

CCI Product has discontinued

Credit management

Revenue $18.2m –3% Segment Profit $6.3m +4%

Debt Collected FY18 to FY19 ($m)



- 28% more outbound debtor actions taken in FY19 2.1m (FY18 1.64m)
- Total debt load up 15% to $237m, commission earned from debt collected up 2% to $9.0m.
- Product sales to SMEs up 7% to $8.5m.
- IODM partnership has been unsuccessful.
- Integration into Xero developed and first debts being loaded via the interface.
- Recruitment and retention in contact centre has been challenging which has been addressed through improving remuneration. This has been offset through efficiencies created through use of Dialler technology.
- Debt Collection Scorecard “Focus” continues to be enhanced and refined.
- Debtor self service portal in development.

Key focus for FY20

Auto retail
Develop and extend retail footprint, deliver better digital and mobile customer experience, building data tools to understand demand, develop new sourcing opportunities.

Finance
Extend distribution through use of APIs and partnerships, grow direct lending, further automate the credit decision process.

Insurance
Increase distribution, launch new products through delivery of retail system development, optimise repair network.

Credit Management
Australian corporate customer acquisition, MYOB / XERO integration, further enhance collections scorecard.

Strategic Review

Summary of our plan…

Our strategy is to…

- Simplify the business
- Accelerate growth in a capital efficient way
- De-risk by focusing on our core business and strengths

This will enable us to…

- Significantly increase market share in the core business of Auto retail and
- Participate in new and innovative auto adjacent opportunities

For our key stakeholders this means…

- Sharpen our focus on meeting customers needs
- Improving the efficiency of our business
- Reducing cyclical swings in our business, especially around credit
- Increasing the returns we deliver to our shareholders

A capital efficient growth strategy for Turners Group, with an increased focus on Turners' core auto retail business

Strategic drivers

Our industry dynamics are changing

The used-car industry is at the cusp of some significant changes, creating both opportunities and threats.

Customer expectations
Customer experience is vital

Digital disruption
Big data and technology proliferating the retail landscape

Increased regulation
Data privacy, finance services regulation & emissions standards

Move from offline to online
Less demand for physical visits to dealerships and a move to digital self-service channels

Aggregator & comparison sites
Transparency and a higher value offering

Industry consolidation
Key industry dynamics are creating headwinds

Alternative ownership models
Rise of subscription style services for car ownership and demand for flexible solutions

Primary drivers

Strength of Turners brand

Complexity of existing business

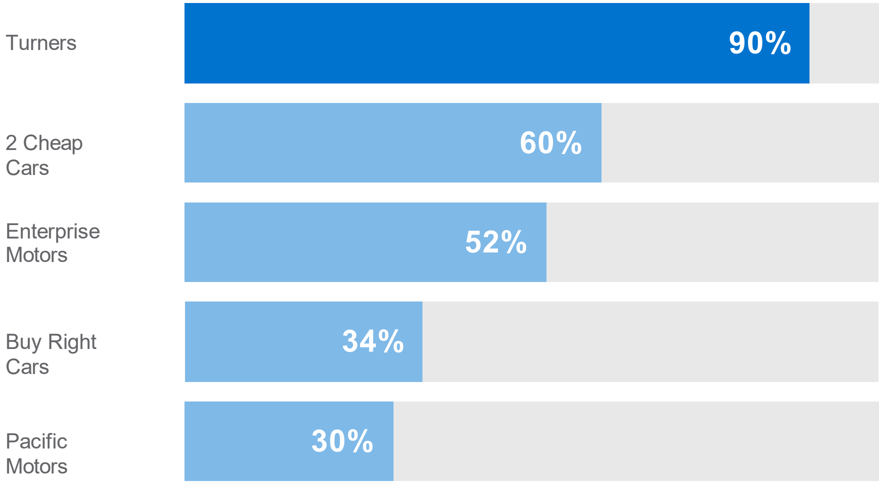
Growth of NZ's ageing vehicle fleet

Demand for digitisation

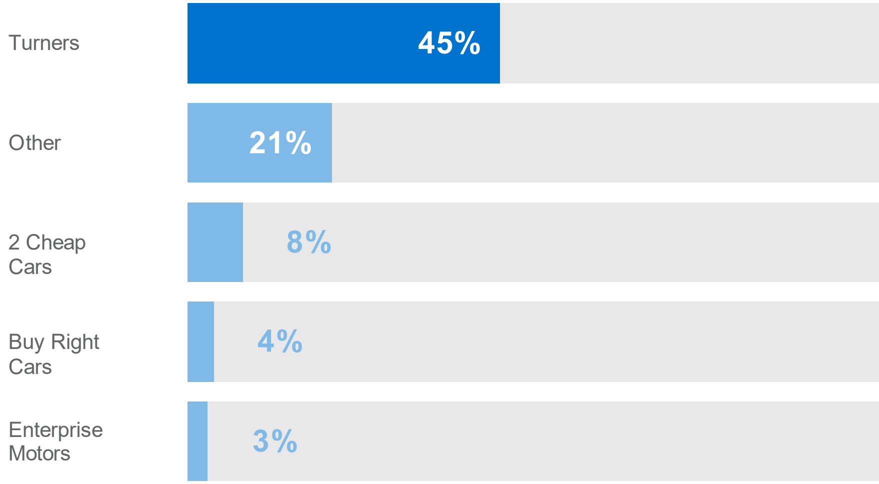
Industry-leading brand

With over 50 years in the market, we are the largest and most-trusted brand in the industry.

90% Brand awareness in the New Zealand market



45% View Turners as the most trustworthy used car dealer in New Zealand



Source: TRA Qualitative and Quantitative Study, 2017.

Complexity of existing business

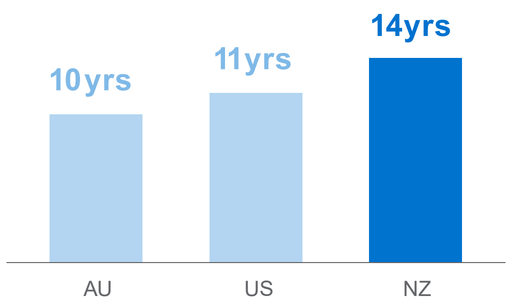
- Our business model has the perception of being complicated, compounded by multi-brands and some low synergy businesses.
- Turners business model and operating performance can be difficult to understand and compare.
- Disproportionate resources and capital are being used in lower ROE segments of the business.

NZ's ageing and growing vehicle fleet

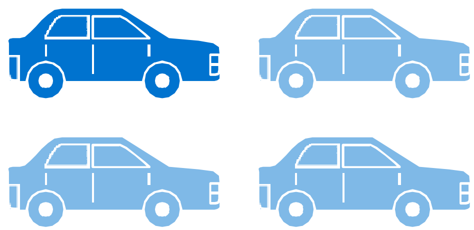
A large proportion of cars in New Zealand are at the end of their economic life.

14 years

Average age of light fleet in New Zealand



Source: Ministry of Transport, 2018.



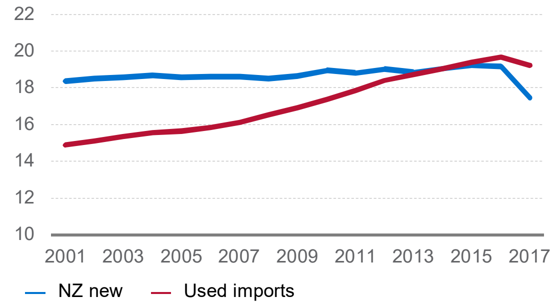
24%

(953,000 cars) are 20+ old

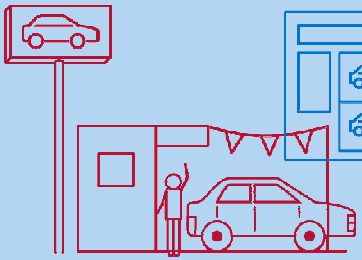
17.5 – 19.5 years

Average age of exit (NZ new – used)

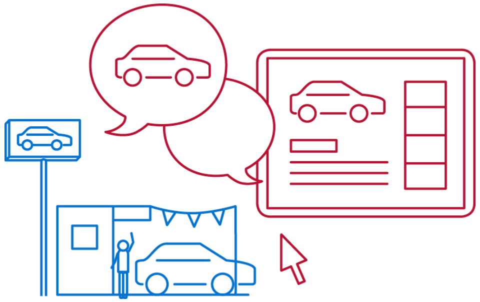
Average light vehicle scrappage age



Increased digitisation



Before
Personal contact with dealers, combined with online research and configuration, has been common



Now
Digital natives are becoming mainstream car buyers who follow omnichannel experiences

Of all internet users in NZ **86% are using YouTube** and **85% are using Facebook**

Source: Global WebIndex, 2018

The average car buyer used to visit **five** dealerships. Now, with online research, that number has dropped to **two**

Source: Google TNS Auto Study, 2016

What is our ambition for Turners?

To be New Zealand's best place to buy and sell vehicles with continually high customer satisfaction

Strategic initiatives

Strategic initiatives

Simplify

- Single brand strategy in Auto Retail
- Single brand and system strategy in finance and insurance
- Run down non-core life insurance products
- Strategic review for business units where we don't hold dominant market position

De-Risk

- Continue strategy of writing higher quality loans
- Early adoption of comprehensive credit reporting
- Focus on loan origination rather than underwriting credit risk
- Active engagement with regulators

Grow

- Expand auto retail footprint
- Shift marketing investment into digital platforms
- Leverage data analytics to buy and sell smarter
- Evolve the customer experience in person and online
- Look for innovation and disruptive opportunities

Work has already started…

Simplify

- Buy Right cars brand change out completed
- Finance brands consolidated to Oxford and on one system
- Auto Insurance brands consolidated to Autosure
- FNZC have ben appointed to conduct strategic review of Oxford Finance

De-Risk

- Average credit score continually improving
- Have adopted Centrix and Equifax comprehensive credit scores

Grow

- Plans to grow retail footprint by 7 new branches by 2022
- Engaged social media marketing agency and shifting spend out of mainstream media into digital
- Engaged two leading data analytics organisations

SIMPLIFY

Focus on a single brand strategy

Leverage our strong brands, remove complexity and play to strength in auto retail.

Turners. Automotive Group

Consumer brands

Turners Finance

Turners Cars

Wholesale/B2B brands

Autosure New Zealand

Oxford Finance

EC Credit Control

Turners Damaged & End of Life Cars

Turners Trucks & Machinery

Buy Right Cars brand change out completed in May

Strategic review of business units

SIMPLIFY

We are undertaking a review of non-core businesses with lower synergies to the core auto business.

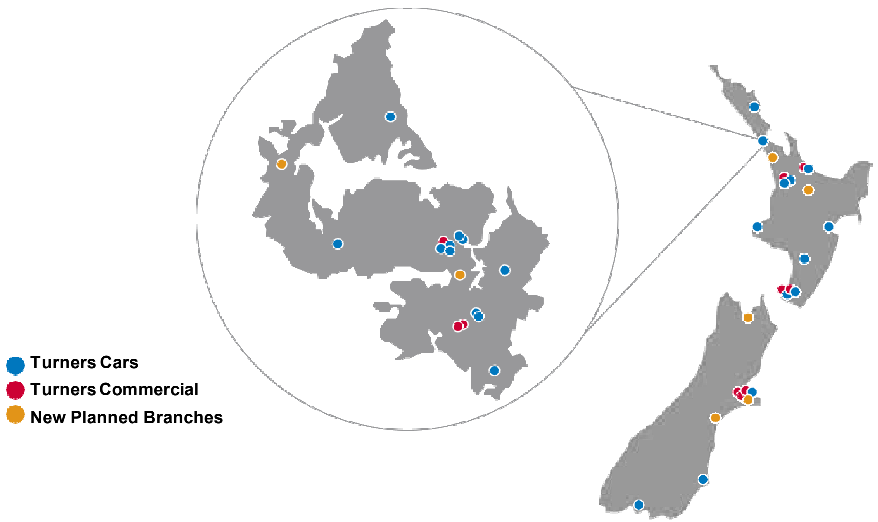
Short term review	Medium term review
oxford FINANCE	EC Credit Control (TERMS OF TRADE · DEBT RECOVERY · CREDIT MANAGEMENT)
• Capital intensive growth model • Profits from captive business are deferred • Reduces channel conflict	• High return capital business • Non-auto therefore lower alignment with auto-centric strategy

Improve the customer experience

GROW

New locations and retail formats

Opening six new retail stores by 2022.
Buy Right branch & digital rebrand to Turners complete.



Expand our retail footprint

Continue to expand our footprint in high potential locations across the country.

Increase our brand reach with digital marketing

We will increase our marketing investments and shift existing marketing dollars to online channels (especially social) to improve efficiency and reach new customer groups.

Use data to source more effectively

Invest in extracting insights from our data assets to help identify the right cars to buy and the right price to sell them at to maximise yield.

Bulk buying

Leverage our scale and balance sheet to drive down sourcing costs by buying in bulk (i.e. 100 cars at a time).

GROW

Better utilise existing data assets

- Leverage Turners leading market position and ability to invest in data projects
- Partner with third party data specialists
- Use big data analytics to make better business decisions

Web data - Searches (20m), page views (29m), saved searches (6k), watchlists (180k)

Auction data

Listings (67k), Bidders (120k bidders)

Vehicle data - Test drives (38k), sales prices, valuation requests (47k)

Core data

Autosure data

Claims data on vehicle (36k claims lodged in LTM)

Finance data

Vehicles that are financed (10k loans for cars LTM)

Predictive analysis for consumer behaviour

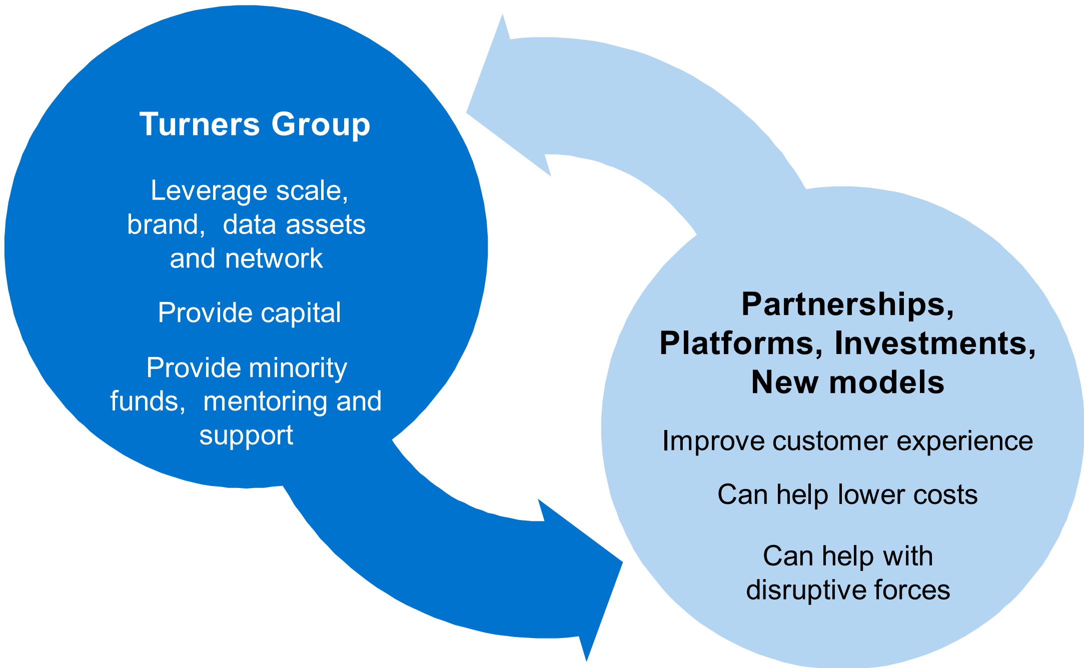
GROW

Adjacent opportunities

Turners has a strong balance sheet, large customer base and rich data assets which put it in a unique position to partner and invest to harness the changing market dynamic.

Criteria for Investment / Partnership

- Highly adjacent to auto markets
- Turners brand would make sense
- Strong interest in platform or aggregator type models
- Must significantly improve the way customer needs are met



Adjacent opportunities

GROW

Example 1: ‘Netflix for Cars’ – A subscription model

Alternative vehicle access models are on the rise internationally, offering flexibility, variety, minimal responsibility and an all-round simpler solution to vehicle ownership – *PWC, 2018*

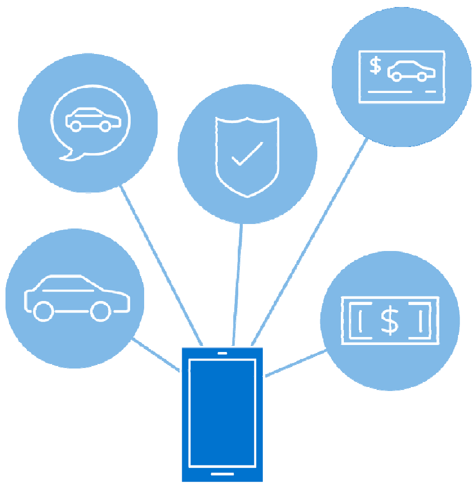
By 2025–26, vehicle subscription programmes could account for nearly 10% of all new vehicle sales in the US and Europe – *Forbes, 2018*

USA:	Europe:	Australia:
flexdrive	Wagonex	Carly CONNECTED CAR
canvas	DROVER	carbar
fair	evogo	Flexigo

Example 2: Aggregator model – A platform approach

Aggregator and comparison platforms provide an informative and competitive environment, delivering the customer more transparency and value.

As more of the customer experience moves online the greater the opportunity for aggregators to dominate and own customer relationships in that industry.



Strategic plan

Auto retail

- Expand footprint
- Invest in digital and social marketing channels
- Leverage data analytics

Insurance

- Focus on auto-retail insurance
- Run down non-core life insurance products

Finance

- Short term strategic review
- Look for partnership opportunities

Credit

- Medium term strategic review
- System integration to improve debt load process

Adjacent opportunities

- Investigate, assess and invest

What does this mean for our stakeholders?

A more efficient, lower risk business model.

Sharpened focus
People, capital and management focus will all be directed to the most attractive segment where we can win with one brand.

Improved competitiveness
We will be leaner, sharper and by partnering in key areas, much more competitive.

Future focused
Create capacity for Board + Exec Co to be more forward looking and to explore opportunities and mitigate potential threats in adjacent segments.

Capital efficient
Strategic review to consider most efficient capital structure. Optimise dividend shareholder returns.

Lower risk
A partnership model significantly lowers our cyclical credit and funding risk.

Less Complexity
One core business to focus and manage, reduced complexity of corporate debt and group consolidation.

Questions

Contact

Todd Hunter
CEO Turners Limited

T: 64 21 722 818
E: todd.hunter@turners.co.nz

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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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