FY20 Results Presentation

For the twelve months ending 31 March 2020

Turners. Automotive Group

Agenda

1. Results summary
2. Business update - Q1
3. Business update - FY21
4. Financial results
5. Segment results
6. Summary and Q&A

FY20 Results Overview

FY20 Financials

- NPBT $29.1M in line with FY19 and guidance ($28m – $30m)
- Underlying NPBT $28.8m up 11%
- NPAT $21.0m down 8%
- Final Q4 Dividend (incorporating the Q3 deferred dividend) declared at 6.0cps
- EPS 24.4cps (FY19 26.2cps)

Q1 Update

- Auto Retail: fully operational with sales stronger than expected
- Finance: Credit policy tightened for new lending and arrears performing well
- Insurance: New policy sales recovering, claims tracking below expectations
- Credit: SME debt load building, with larger corporates to restart in June

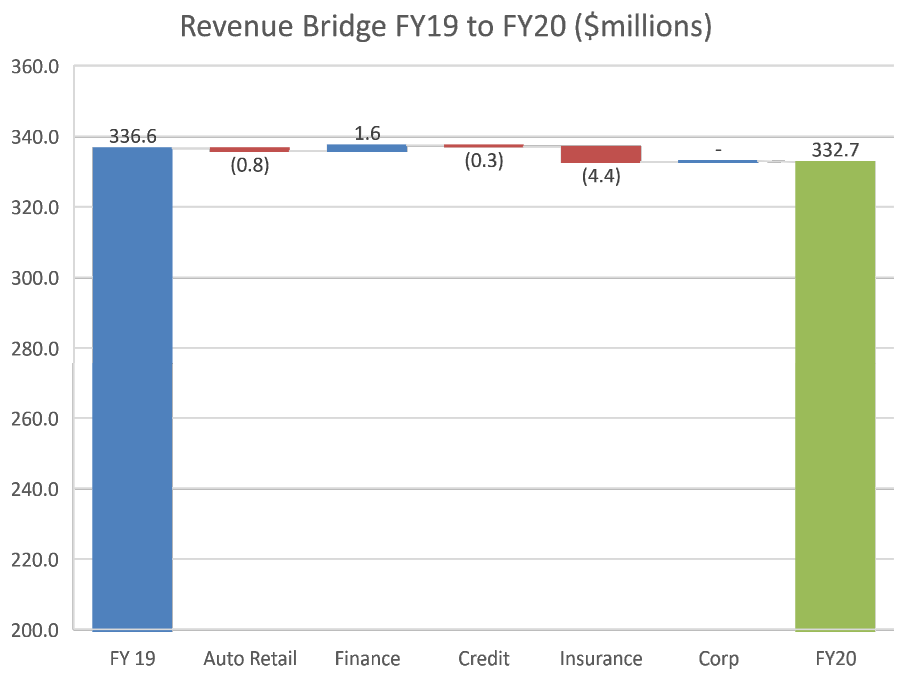
Key Themes for FY21

- Accelerate market share gains
- Leverage high trust brand
- Diversified and Integrated business
- Digital advantage
- Balance sheet capacity supports growth

1 Results Summary

FY19/FY20 Revenue bridge

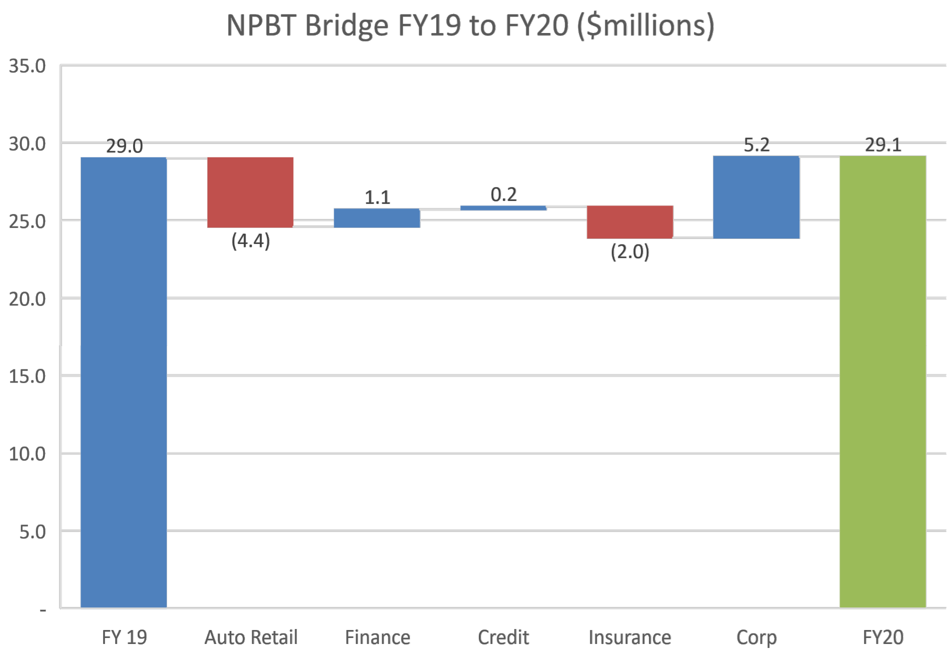
Revenue stable at $333m (FY19 $337m)



- **Auto Retail revenue flat year on year**
- **Finance revenues have increased through Turner's origination and 3rd party origination**
- **Insurance reflects fewer policies sold as higher risk vehicles re-priced and fewer used cars sold in the market and effect of one-off property sale in FY19**
- **EC Credit Control revenue's flat year on year…expect to see uplift in years post COVID-19**
- **FY19 includes $3.4m one off gain from sale of property**

FY19/FY20 Net profit before tax (NPBT) bridge

NPBT of $29.1m inline with FY19 and guidance



- **Inline with both FY19 and at mid point of $28-$30m net profit before tax guidance (prior to COVID-19, was tracking to exceed slightly)**
- **Auto retail decrease due to Albany property settlement of $3.4m in FY19 and COVID-19 impact in Feb/March**
- **Finance improvement driven by writing higher quality new business and the resulting improved arrears performance. In addition a COVID-19 overlay has been applied to finance receivable provisioning ($1m increase).**
- **Insurance result from FY19 includes $3.0m one –off gain from property sale. Gains in claims ratios have continued to offset reduced policy sales**
- **Corporate included brand write off of Buy Right Cars of $4.6m in FY19**

Reconciliation: NPBT to underlying NPBT

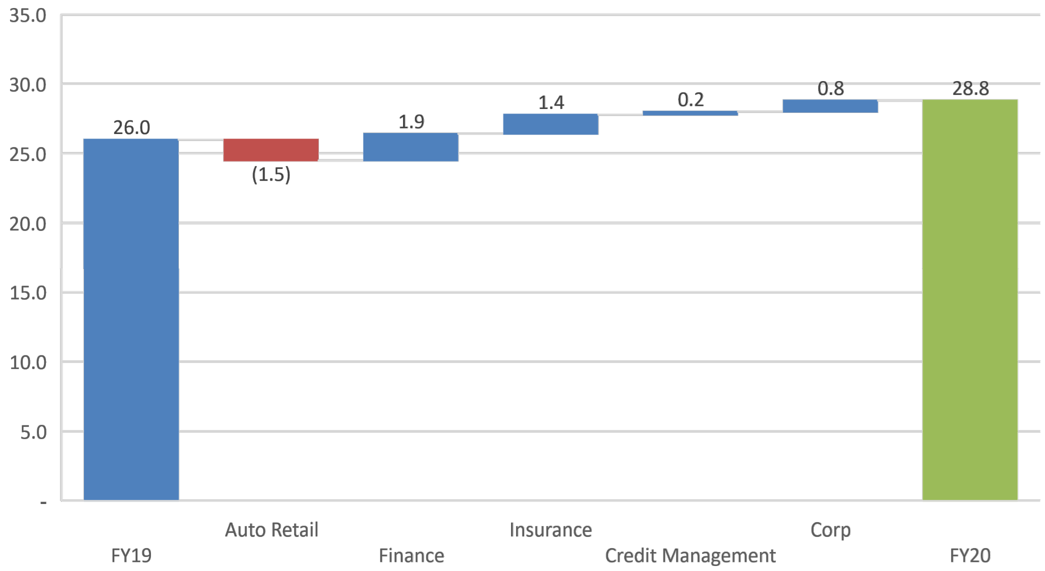
$Millions	FY20	FY19	Var
Reported profit before tax	29.1	29.0	0.3%
Oxford strategic review costs	0.2	-	
IFRS 16 Lease Accounting changes	(0.5)	-	
Christchurch property revaluation	-	(0.8)	
Property Settlement – Albany site	-	(3.4)	
Brand Write-Off (Buy Right Cars)	-	4.6	
Sale of property	-	(3.4)	
Underlying operating result	28.8	26.0	11%

- Pleasing growth in underlying earnings despite impact of COVID-19
- Property sale in FY19 relates to the sale of 133 Roscommon Road
- Christchurch property is Worsley Prestige which was security on an old Dorchester Finance property loan
- Albany branch was compulsorily acquired by Transit NZ for motorway extension

FY19/FY20 Underlying NPBT bridge

Underlying PBT increased from $26.0m to $28.8m

Underlying Profit Before Tax



- **Auto Retail heavily impacted in key month of March 20 by COVID-19**
- **Finance improvement driven by growth in higher quality lending, improvement in arrears and reducing funding costs**
- **Insurance improvement from improved risk pricing and reduction in claims ratios**
- **EC Credit higher commissions from improved NZ corporate debt load**

2 Business Update – Q1

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Thank You to Our Team, Landlords and Business Partners

Speed - Work from home plans executed at speed and teams adapted very quickly. Technology investments and quality of team, have put us in a strong position.

Committed - Many people have been asked to take additional annual leave, work reduced hours, do different jobs and tasks and all have stepped up when required. Board and Senior Management right across the business have reduced fees and salaries to 80% of normal for a period of 3 months.

Thank you - Acknowledge and thank our landlords and business partners and employees who have made sacrifices to ensure the business was in the best possible position to survive and ultimately prosper.

Our approach to lockdown…

React

Ensure survival of business "cash is king" approach

- **Safety of staff and customers**
- **Rapid WFH setup completed**
- **Cost reduction plans worked on immediately**
- **Daily reporting on critical KPIs established**
- **Establish what was possible eg. Essential service, selling cars online**

Rethink

Avoid a dilutive capital raise

- **Close communication with funders**
- **Online purchasing and contactless delivery**
- **WFH on more permanent basis**
- **Customers reverting to strong brands**
- **Growing unemployment**
- **Weakening demand and softening prices**

Rebuild

"Eyes on the prize" and prepare for opportunities

- **Disciplined cost control**
- **100% online customer experience**
- **Review credit risk scoring**
- **Enhance distribution in insurance**
- **Push the trust and strength in our brands**
- **Significant opportunity to build market share in all our businesses**

Key Messages on Near-term Environment

Lockdown - Naturally, all four businesses experienced substantial new business drops during L3/L4 lockdown. Group revenue down 57% in April 2020 v April 2019

Priorities - 1. Ensure the business survives 2. Avoid a dilutive capital raise 3. Ensure the business is prepared for the opportunities

An uncertain outlook - but April/May better than expected - We expect mixed trading conditions with NZ's expected recession. YTD Trading results for April and May show levels significantly better than our initial projections made at the commencement of L4 lockdown

Diversified portfolio of related businesses - Highlights the value of a diversified portfolio of businesses, and the inherent "annuity" nature of those three businesses. Three of our four businesses (Oxford Finance, Autosure Insurance and EC Credit Control) were profitable even during the L3/L4 lockdown period

FY21 YTD Update - Early Metrics

Change v pcp	Mar-20	Apr-20	May-20	Jun-20 MTD
Auto Retail Revenue	(33%)	(80%)	(6%)	(2%)
Car Units Sold	(40%)	(74%)	(13%)	2%
New Lending in Oxford	(7%)	(94%)	(36%)	65%
Consumer Loan Bal Arrears (Actual)	8.5%	7.2%	6.8%	6.8%
Insurance new policies sold	(33%)	(84%)	(36%)	10%
No. of claims lodged	(30%)	(80%)	(21%)	19%
Credit Management Revenue	-	(48%)	(46%)	(25%)
Debt Loaded	(22%)	(56%)	(64%)	(73%)
Actual Group Op Profit* ($000)	1,220	-424	1,575	

- Launched 100% online car selling "BuySafe" – sold 600 cars during L4 lockdown
- Continuing marketing spend focusing on Turners "trusted brand"
- Processed 1,500 (or 8%) hardship applications (payment holidays or reduced payment) during L4…currently less than 75 customers (5%) have required a further extension
- Arrears in finance book have continued to improve over April / May and are at historic low levels
- Substantial decrease in insurance claim numbers during L4 and L3, tracking at around 80% of 2019 levels.
- SME debt load increasing and corporate debt load expected to be large once they start releasing debt for collection

* Group operating profit excluding wage subsidy

Near Term Priorities

Auto Retail
- Cost discipline – property and people
- Continue to invest in promoting the Turners brand - build market share
- Retail optimisation – Exit Penrose and launch Westgate, Mt Richmond

Finance
- Keep improving credit quality
- Continued focus on arrears and rehabilitation
- Promote 100% digital loan process

Insurance
- Cost and claims management discipline
- Increasing distribution through partnership strategy and sales integration into other businesses eg Marac
- Enhance risk pricing

Credit/Management
- Extending into ledger management from credit collections
- Cost discipline with Digital efficiencies – debtor self service portal, Xero/MYOB
- Working closely with corporates to manage reputational risk

3 Business Update – FY21

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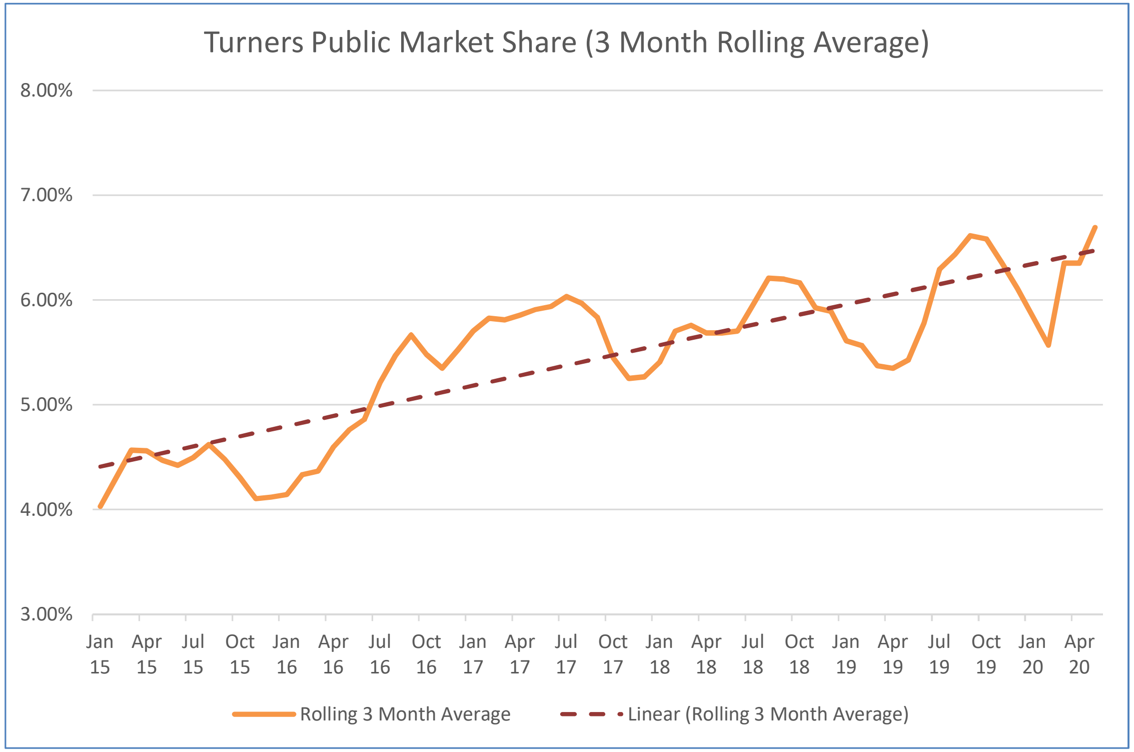
Key themes for FY21

#1 Opportunity to accelerate market share	Turners well placed to continue market share gains. Used car market rationalisation likely to accelerate post COVID. During the GFC, the number of dealers dropped by 15%
#2 Leverage the high trust Turners brand	Leverage our scale and brand equity. Our scale offers multiple advantages. Our highly trusted brand will become even more relevant in the new economy
#3 Diversified business	Turners is diversified geographically and has the advantage of annuity and activity based revenues. These were demonstrated during Lockdown and will be shown in the near to medium term.
#4 Digital advantage	A key differentiator is the Turners digital platform with #2 most visited auto website in the NZ behind TradeMe. We will continue to make material investment in technology, data and digital marketing
#5 Balance sheet capacity supports growth	Turners are well positioned from a funding and capital perspective to take advantage of growth opportunities in the future

1. Opportunity to accelerate market share



- **During the GFC, the number of dealers dropped by 15%**
- **Turners has adapted rapidly to remain robust and to be in a position to realise any new opportunities that emerge from a disrupted market**
- **100% online selling process "BuySafe" has been key point of difference … hit 20% market share during April**
- **Turners expects to accelerate market share gains that were achieved in recent years**
- **Turners will continue to actively manage it's portfolio of sites, with a focus on retail transition.**

2. Leverage the high trust Turners brand

Scale

Our scale offers multiple advantages:

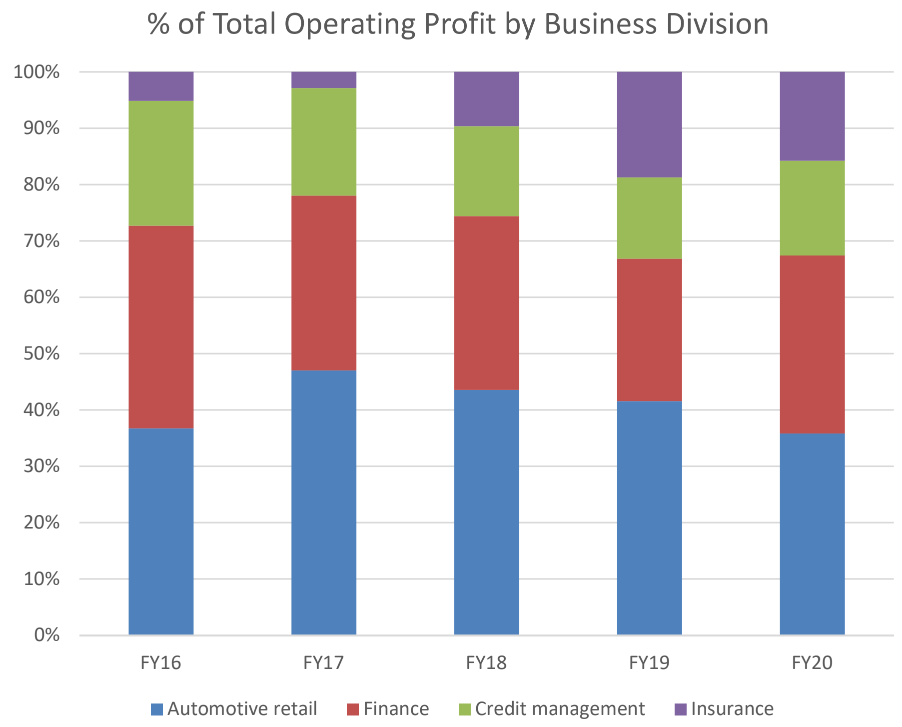
- **During challenging environments, Turners benefits from its scale and diversification.**
- **With a larger team than any other auto retailer, Turners was able to react rapidly to the challenges and opportunities of COVID-19.**
- **Our scale giving us greater buying power around bulk fleet purchases.**
- **Our large web audience and 23 branches spread across the country gives us access to more customers**
- **Turners has greater access to capital, both via its robust banking relationships, based on years of demonstrating prudent financial management, and if ever required, its NZX/ASX listing.**

Most trusted brand

Trust will be even more important in the new economy:

- **Turners is consistently NZ's leading used auto retail brand, according to independent market research**
- **Turners has strong web presence, traffic online hitting all time highs**
- **Even during Level 4 and 3 lockdown, Turners was able to sell 600 vehicles online. The ability to sell uninspected vehicles online at scale for the first time demonstrates the high trust and awareness of the Turners brand.**
- **Turners recently received the *2020 Readers Digest Trusted Brand Award* as New Zealand's most trusted used car dealer.**

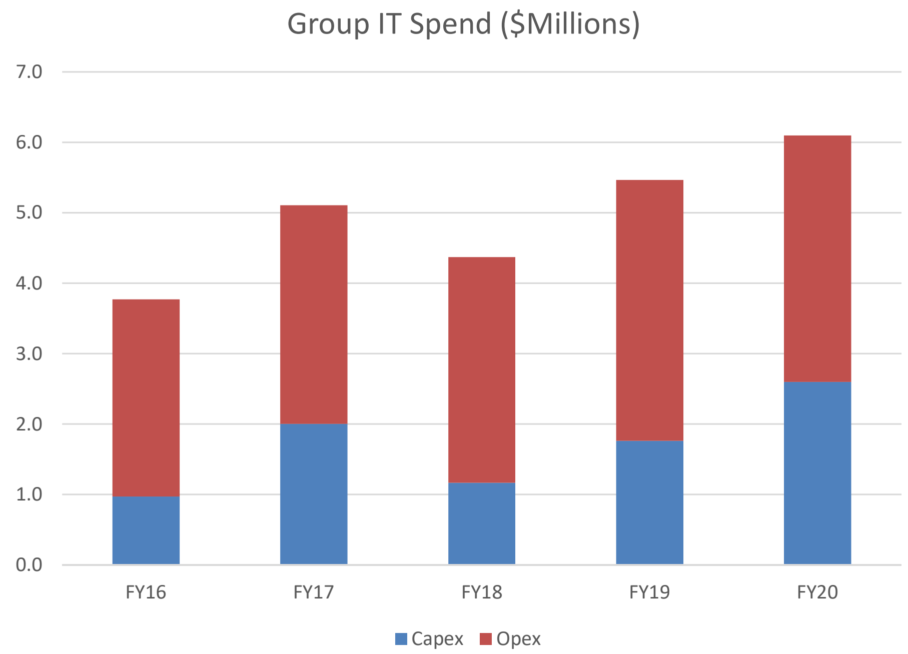
3. Diversified business



- **Turners is a purposefully diversified business**
- **Each business has different business cycles…**
- **Annuity revenues from finance and insurance help offset the short-term decline in the activity-based revenue businesses of auto retail and credit management.**
- **Credit management is counter-cyclical and will likely experience high growth over near to medium term.**
- **Geographical diversification allows the business to redeploy inventory if there are any localised lockdowns going forward or regional demand differences.**
- **With a business model setup for consignment sales, Turners is able to heavily increase its mix towards consignment, which significantly reduces working capital and any pricing risk.**

4. Digital advantage

- **Turners is committed to creating competitive advantage from technology investments, and will double down on these efforts to further broaden its technology advantage**
- **Technology team: 26 FTE (Applications 15, Infrastructure / Operations 11)**
- **All systems were robust and dynamic to the needs of lockdown, including a rapid change to remote working in a couple of days**
- **Turners Car Subscription in development with launch expected Q2 due to delays with COVID-19.**
- **Focus going forward on digital marketing and 2 key data projects:**
  - **CDP (customer data platform): Online lead identification, management and automated communications**
  - **Use of data & automated machine learning platform to predict vehicle profitability and credit defaults**



5. Balance sheet has capacity to support growth

Funding Mix ($M)	Limits	Drawn
Finance Receivables Funding		
Securitisation	230	180
Banking Syndicate	60	49
MTF Receivables (Auto Retail)	13	13
Less Cash		(9)
Net Receivables Funding	303	233
Funding Capacity		**70**
Corporate and Other Borrowings		
Corporate & Property - Banking Syndicate	70	58
Inventory - Banking Syndicate	30	25
NZX Listed Bond	25	25
Less Cash		(24)
Net Corporate Borrowings	125	84
Funding Capacity		**41**

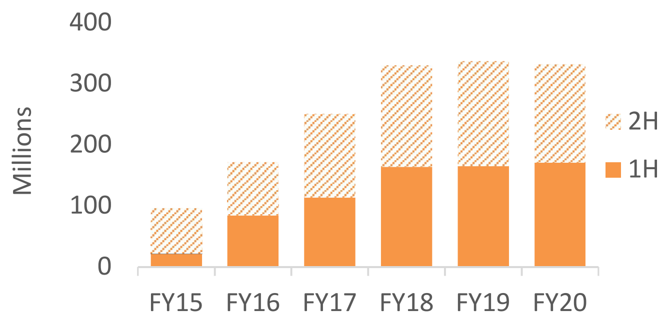
- **Our balance sheet is a major competitive advantage, which will enable continued growth in a consolidating market.**
- **Our balance sheet is robust;**
  - **The group continues to operate well within its bank covenants.**
  - **In March 2020, an extension of the securitisation warehouse facility was agreed with BNZ, from $200m to $250 million**
  - **Unrestricted cash of $20m+ and further funding headroom if required.**
  - **No renewals on debt until 2021.**
  - **The Board deferred the Q3 dividend as a precautionary measure.**
- **69% of total debt in business relates to finance receivables. Finance has an equity to total assets ratio of 22%.**

4 Financial Results

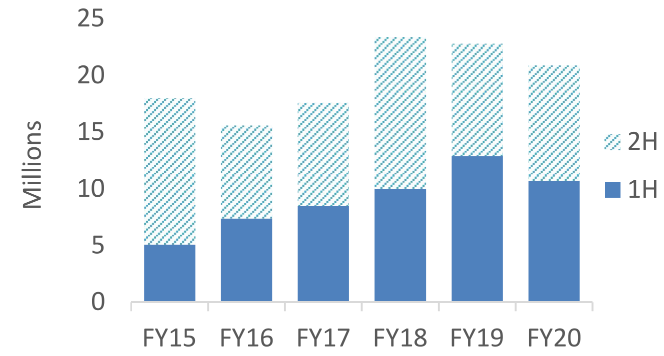
FY20 Results snapshot

Revenue **$332.7m -1% YoY**	**Shareholders' Equity** **$223m as at 31 March 20**
Underlying Net Profit Before Tax **$28.8m +11% YoY**	**Q3 Dividend 6.0 cps** **FY Div 14.0 cps**
Net Profit Before Tax **$29.1m 0% YoY**	**FY20 Earnings Per Share** **24.4cps** **(FY19 26.2cps, -7%)**
Net Profit After Tax **$21.0m -8% YoY**	

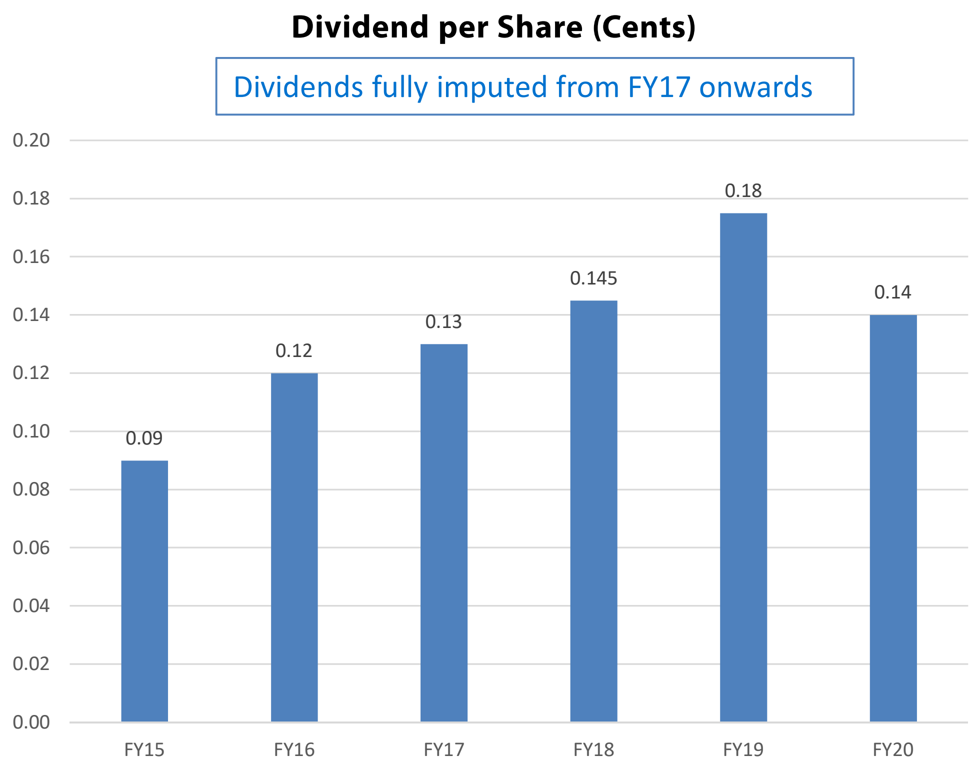
Revenue



Net profit after tax



Capital Management and Dividends



- **In March directors deferred Q3 dividend payable in April as a precautionary step due to uncertainty of L4 lockdown period.**
- **Given April and May trading has been better than expected, directors have declared the FY20 Final dividend incorporating the deferred Q3 dividend @ 6.0 cps payable in July.**
- **Gross dividend yield of 9.8% at indicative price of $1.98 (includes imputation credits)**
- **Directors intend to continue to pay out dividends according to the current policy in FY21 (60% to 70% of NPAT). This will be subject to underlying business performance.**

Balance sheet

$Millions	FY20	FY19
Cash and cash equivalents	32.8	15.9
Financial assets at fair value	65.0	66.3
Inventory	44.4	38.9
Finance receivables	293.0	290.0
Property, plant and equipment	52.8	39.1
Right of use Assets	24.9	-
Intangible asset	166.8	166.7
Other assets	28.7	37.3
Total Assets	708.4	654.2
Borrowings	350.4	312.9
Other payables	27.3	33.9
Deferred tax	10.1	13.9
Insurance contract liabilities	51.4	51.8
Lease liabilities	32.5	-
Other Liabilities	13.6	15.3
Total Liabilities	485.3	427.8

- Cash boosted by pre-emptive drawdowns as we entered L4 lockdown and uncertainty around timing
- Inventory increase reflects COVID-19 slowdown and lockdown
- Change in Finance rreceivables reflects quality ledger growth in Oxford offset by rundown in MTF non-recourse ledger
- Borrowings reflect COVID-19 cash drawdown, lockdown impact on working capital and investment in strategic site acquisition.
- Property, plant and equipment increase due to development of new sites in Whangarei, North Shore and Mt Richmond purchase.
- Right of Use Asset and associated Lease Liabilities arise from adoption of IFRS-16

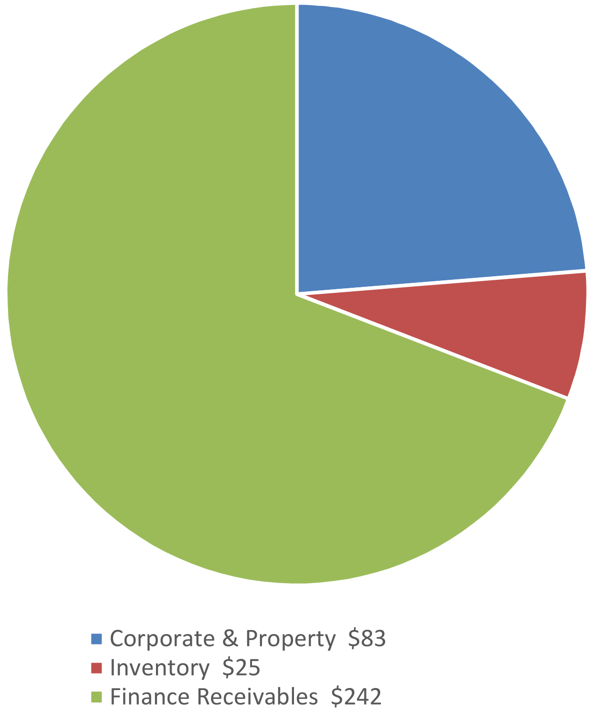
Funding mix

Borrowings

$Millions	Limit	Drawn	Undrawn
Receivables – Securitisation (BNZ)	230	180	50
Receivables – Banking Syndicate (ASB/BNZ)	60	49	11
Receivables – MTF	13	13	0
Corporate & Property [incl Bond]	95	83	12
Inventory (ASB)	30	25	5
Totals	428	350	78

- **Cash and Cash equivalents as at 31 March $32.7m, reflects desire to maintain higher cash balances during COVID-19 lockdown of uncertain duration.**
- **Securitisation funding facility limit at $250m (including capital contribution from TRA).**

Borrowings by Utilisation ($Millions)
As at 31 Mar 2020



5 Segment Results

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FY20 by Segment

Auto Retail

- Growing retail market share
- Better buying disciplines leading to improved margins
- Continued optimisation for retail

Finance

- Finance continued focus on targeting high quality borrowers
- Risk pricing refinement
- Continue to make investments in digital and system integration

Insurance

- Good progress in building out distribution
- Risk pricing refinement
- Insurance system providing more flexibility and agility

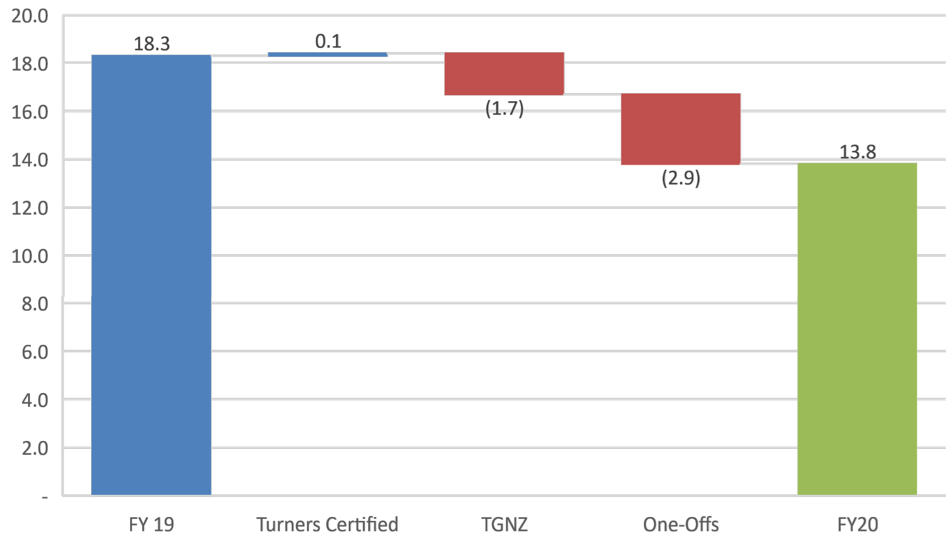
Credit/Management

- Significant share increase in NZ Corporate debt collection
- SME focus: integrated with key systems (eg. Xero / MYOB)

Automotive retail

Revenue $224.9m 0%, Segment Profit $13.8m -24%
Underlying Segment Profit $13.3m (FY19 $14.9m)

Auto Retail Breakdown FY19 to FY20 ($Millions)



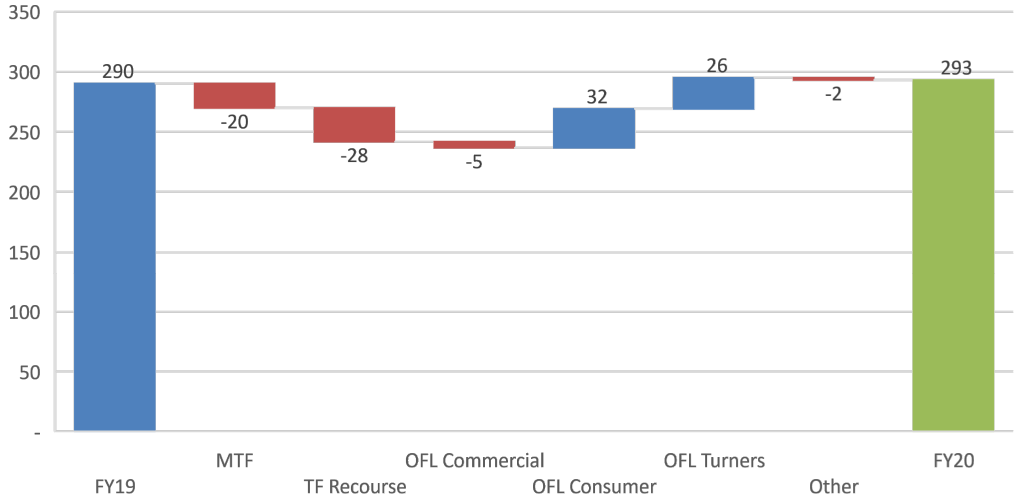
One offs - include gains on property settlements / sales of $3.3m in FY19 and $500k positive IFRS-16 adjustment in FY20

- **NZ used car markets down 3% with dealer channels down 4% in FY20**
- **BuyNow (retail sales) down 0.5% with new North Shore Branch coming on stream from August.**
- **Inventory value up at year end reflecting impact of COVID-19 in Feb/Mar $44.4 (FY19 $38.9)**
- **Unit sales of owned stock up 8%, with average gross profit per unit up 12%.**
- **20% less consignment stock from lease and other consignment vendors in FY20 (3,315 units down)**
- **Transition of Buy Right Cars into Turners Cars and integration into the full auto retail business has been successful**
- **Damaged vehicle units up 12% in FY20, Timaru hail storm and Sky City Fire**
- **Average Net Promoter Score for FY20 at 71 (FY19 at 55)**

Finance

Revenue $45.7m +4%, Segment Profit $12.2m +10%
Underlying Segment Profit $12.1m (FY19 $10.3m)

FY19 to FY20 Receivables Bridge

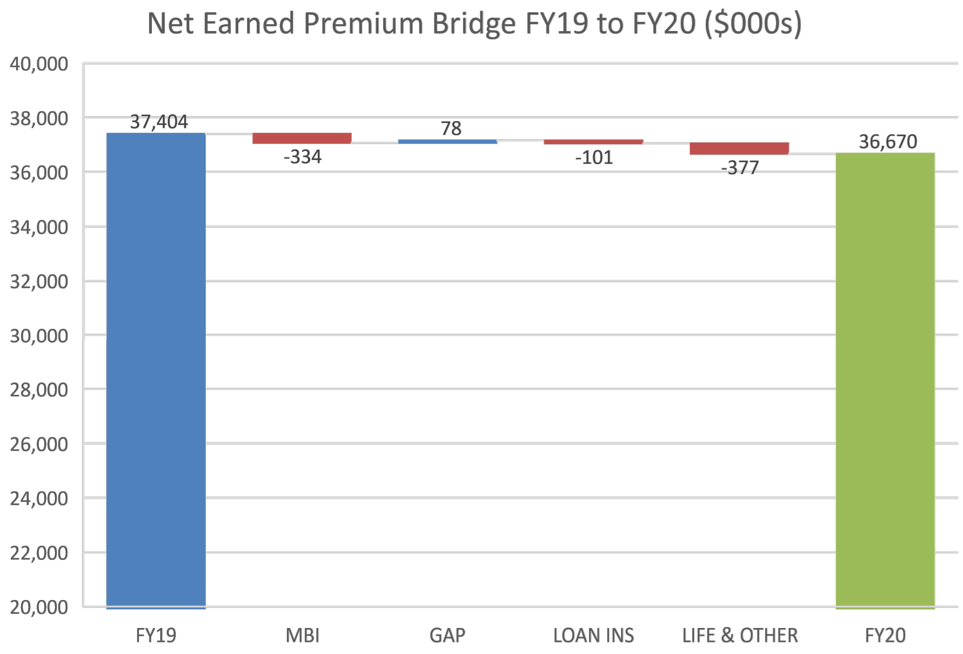


MTF – Motor Trade Finance
OFL – Oxford Finance Limited
TF – Turners Finance

- **Finance improvement driven by writing higher quality new business and the resulting improved arrears performance. In addition a COVID-19 overlay has been applied to finance receivable provisioning ($1m increase).**
- **3-tier risk pricing model enabling better risk for reward model.**
- **Premium and Tier 1 loans now account of 76% of the total book (FY19 63%).**
- **High quality Turners Cars ledger at $52m**
- **Use of comprehensive credit scoring alongside negative credit scoring enables more accurate profiling of customers.**

Insurance

Revenue $44.1m -9%, Segment Profit $6.2m -25%
Underlying Segment Profit $6.2m (FY19 $5.2m)

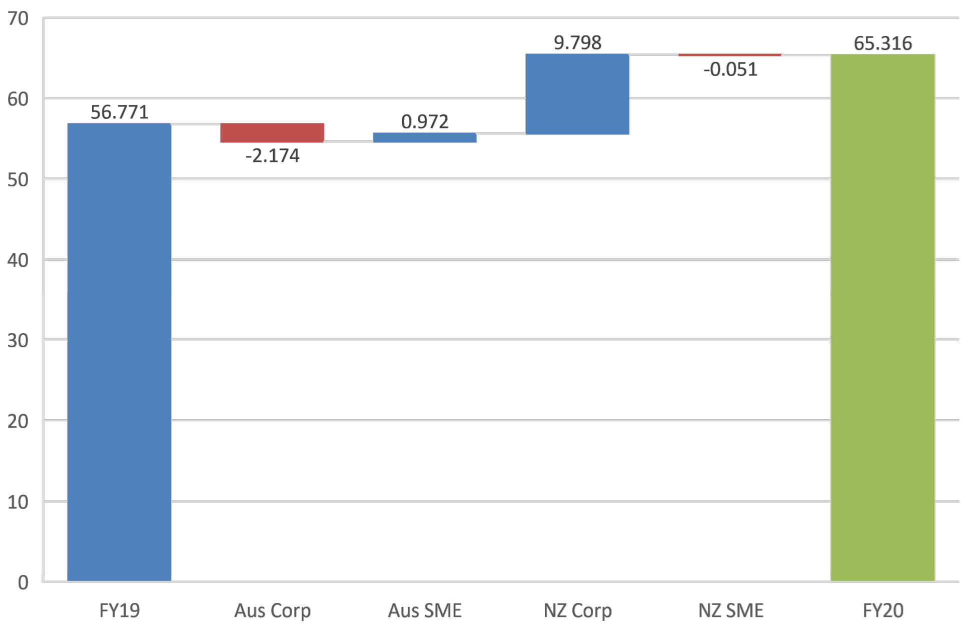


- **Combined loss ratio 62% (FY19: 64%), MBI loss ratio at 66% (FY19 at 75%).**
- **New policy generation system for retail performing well and providing agility and flexibility on risk pricing.**
- **Continued review of dealers portfolio performance for risk pricing and review of incentives and rebates.**
- **Opex as a % of Gross Earned Premium down to 23% (FY19 24%, FY18 30%)**
- **Culture and conduct review completed…implementation plan progressing well**
- **General Gross Written Premium down 7% to $33.9m as a result of COVID-19 impact and de-risking of portfolio**
- **MARAC distribution arrangement implemented and working well.**
- **FY19 includes gain on sale from investment property of $3m**

Credit management

Revenue $17.9m -1% Segment Profit $6.5m +3%
Underlying same as reported

Debt Collected FY19 to FY20 ($000s)



- **Total debt load down 5% to $225m, debt collected up 14% to $67m**
- **Commission earned from debt collected up 21% to $10m.**
- **Xero and MYOB integration completed, 420+ customer connections loading more than $3m in debt.**
- **Contact centre retention improved significantly with all work from home systems operating at 100%**

6 Summary And Q&A

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FY20 Financials

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- Final Q4 Dividend (incorporating the Q3 deferred dividend) declared at 6.0cps
- EPS 24.3cps (FY19 26.3cps)

Q1 Update

- Auto Retail: fully operational with sales stronger than expected
- Finance: Credit policy tightened for new lending and arrears performing well
- Insurance: New policy sales recovering, claims tracking below expectations
- Credit: SME debt load building, with larger corporates to restart in June

Key Themes for FY21

- Accelerate market share gains
- Leverage high trust brand
- Diversified and Integrated business
- Digital advantage
- Balance sheet capacity supports growth

Outlook

- **Due to the level of unprecedented uncertainty in the economy it will be difficult to issue guidance for FY21. We will update over coming months with progress, and plan to give guidance around the AGM in September.**

- **At beginning of lockdown we modelled out 3 scenarios (Worst, Likely and Best) and we are tracking above the best case currently.**

- **April and May trading have been significantly better than what we expected (refer to slide 13) as we moved through Alert Levels faster…benefits of cost focus, rent reductions and wage subsidy have been material.**

- **The offset of having annuity revenue businesses (finance and insurance) within the group are proving very valuable in turbulent times.**

Questions


Finance & insurance available onsite.
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Turners Cars
Helping Kiwis buy & sell for over 50 years.
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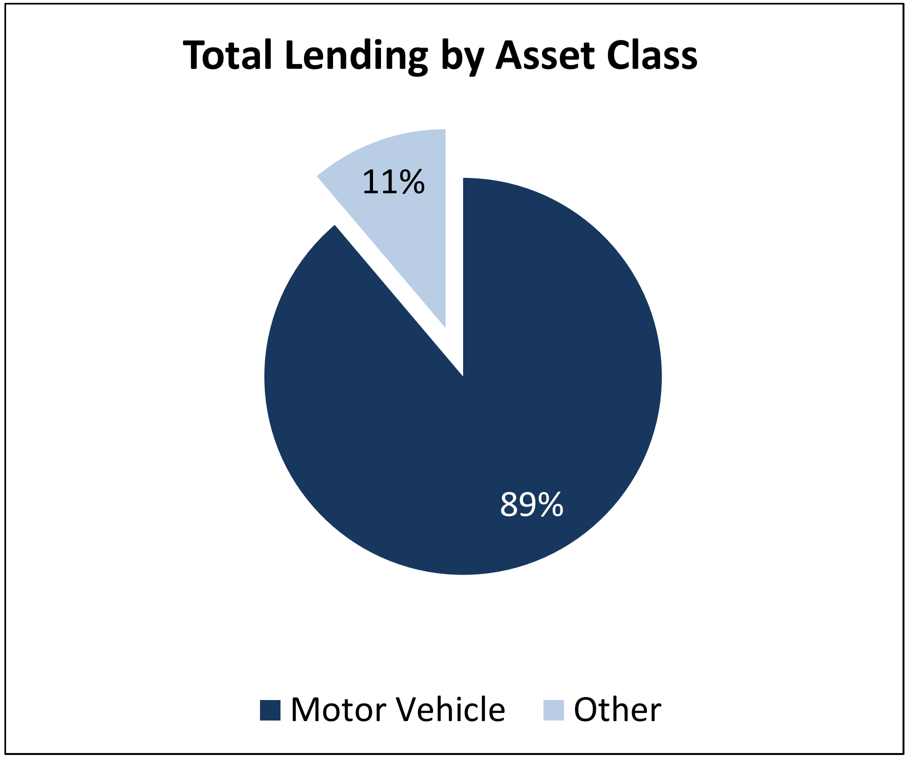
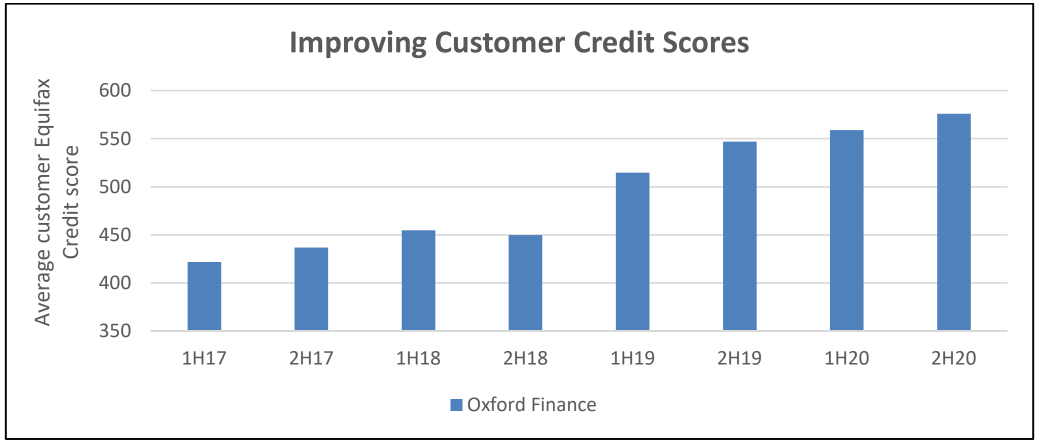
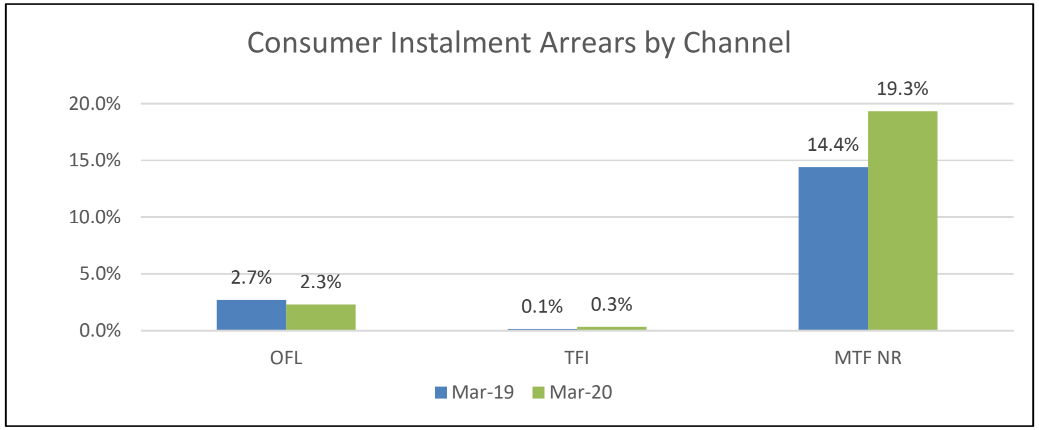
Appendix

Finance drill down







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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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