FY22 Results Presentation

For the twelve months ending
31 March 2022

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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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Record result

Robust model

Ready for what’s next

Agenda

1. FY22 Results

2. Segment results

3. Looking forward …

Delivering on our plan for growth …

1. **We achieved 15% growth in PBT in FY22…another record year for the business, and 48% growth in profits since FY19**

2. **Full year dividend at 23.0 cps versus guidance of 22.0 cps.** Based on current share price this is a gross yield of over 8.0% pa.

3. **Our plan for growth has been proven up and de-risked over the last three years:**
    1. Building out an omni-channel experience in Auto Retail
    2. Auto Retail optimisation
    3. Focus on growth in premium borrower segment
    4. Digitised distribution in Insurance

4. **There are clear NZ and global economic challenges over the next 12-24 months, but we still see opportunities in the markets we operate in, and are well positioned to take advantage of these.**

5. **Our updated target is $50m in Underlying NPBT in FY25**

We have made great progress in 3 years…

KPI	FY19	FY22	Progress
Finance conversion	30.3%	32.7%	+
No. of owned cars sold	16,179	22,170	+
BuyNow sales %	48%	56%	+
Auto retail market share	4.85%	6.55%	+
Avg GP per owned unit	$470	$818	+
Average monthly premium lending	$2m	$14m	+
Consumer arrears	10.6%	2%	+
Insurance Claims Ratio MBI	72%	53%	+
Gross Written Premium MBI	$32.6m	$31.9m	-
Debt Collected	$56.8m	$36.7m	-
Reported Net Profit Before Tax	**$29.0m**	**$43.1m**	**+**
Earnings per Share	**26.3 cps**	**36.4 cps**	**+**
Dividends Paid per Share	**$0.17**	**$0.23**	**+**

FY22 Results overview

Financials

- NPBT $43.1m +15%
- NPAT $31.3m +16%
- EBIT $47.7m up 11% [1]
- Underlying NPBT $44.1m +29% [2]
- Revenue $344.5m +14%
- Dividend 23.0 cps +15%
- Earnings per share 36.4cps +16%
- Unrealised property gains per share 22 cps (measured from carrying value)

[1] EBITadjusted for interest expense in Finance (non-IFRS measure)
[2] Underlying NPBT calculation available on slide 16

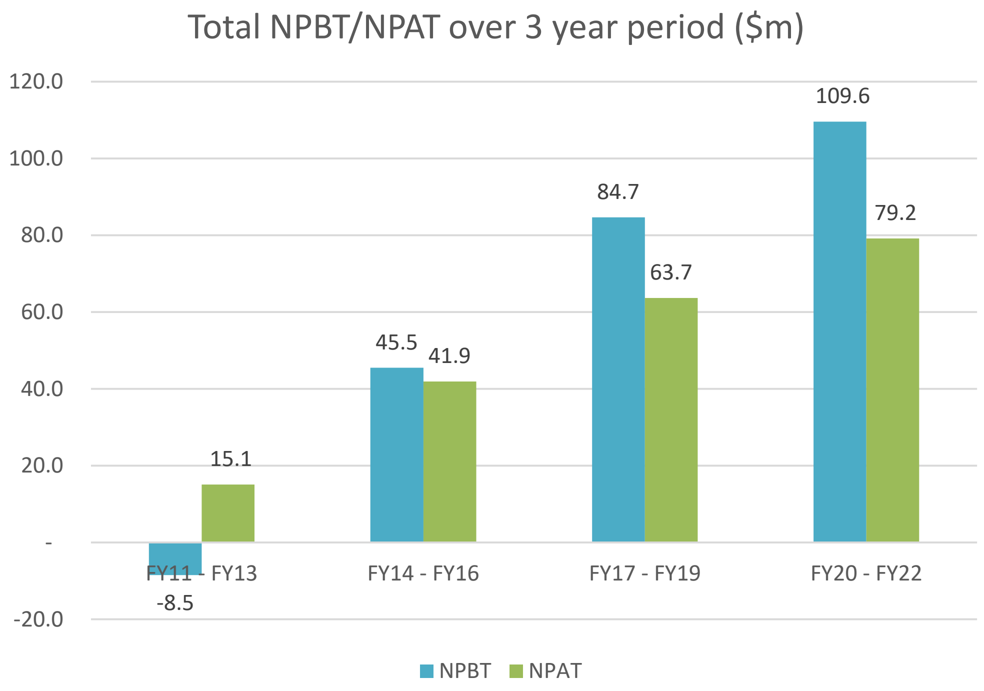
Key Drivers for FY22

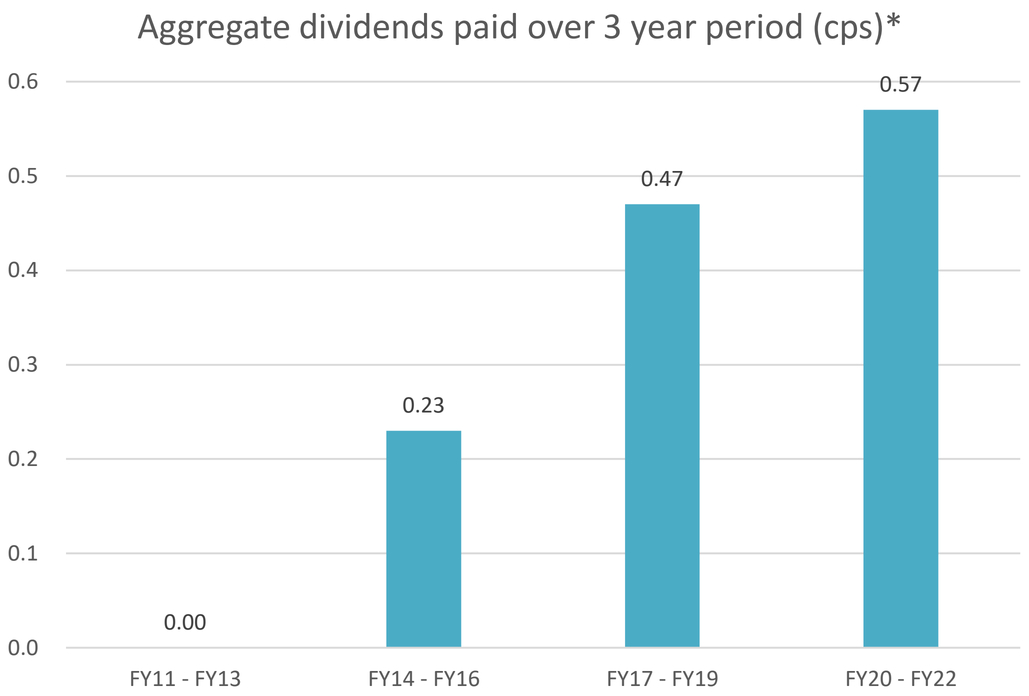
- Strong Q1 followed by disruption from Covid lockdowns and Omicron outbreak
- Consumer demand better than expected during L3 lockdowns but worse than expected in Omicron outbreak
- Continued gains in margin and market share in Auto
- Geographic and earnings diversification demonstrated
- **Macro headwinds (inflation and interest rates) starting to impact…speed of change biggest challenge**

FY22

- **FY22 result a record…employee engagement at all time high**
- **Auto retail:** supply constrained market expected to continue for 12-18 months
- **Finance: n**ew lending strong and arrears still at historic lows…margin focus required going forward
- **Insurance:** new policy sales strong, claims ratios improving
- **Credit:** debt load returning slowly and environment should be more productive in FY23

Turners building a strong and sustainable business with a proven track record…

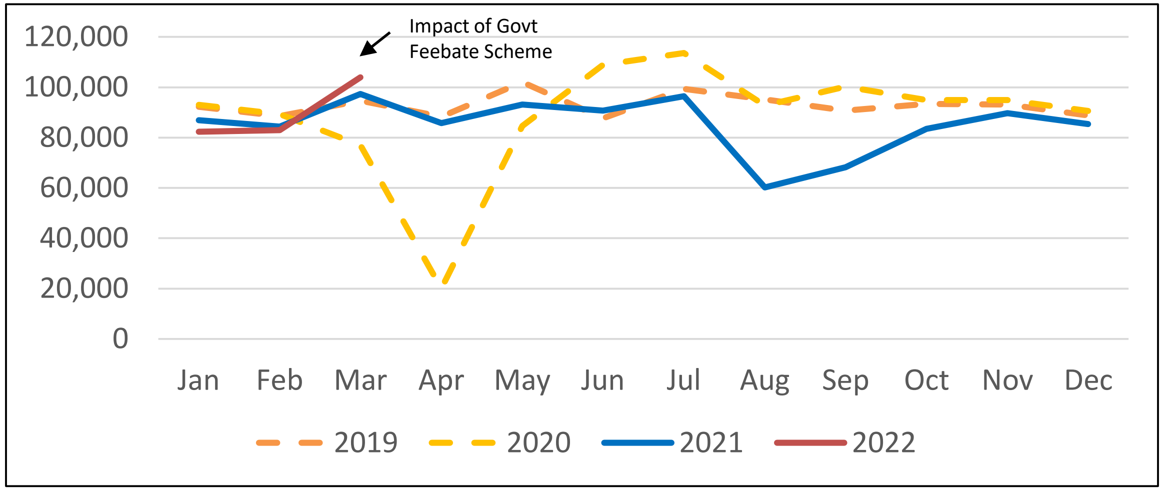




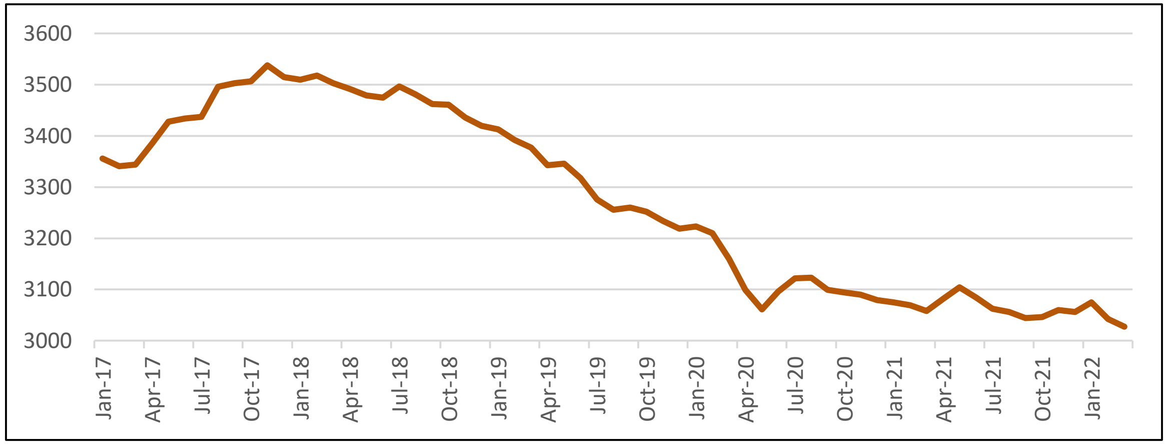
** Dividends fully imputed from FY17 onwards*

NZ used car market transactions down in FY22…

NZ Used Car Change of Ownerships (Source NZTA)



Registered Dealer Numbers NZ (source MBIE)

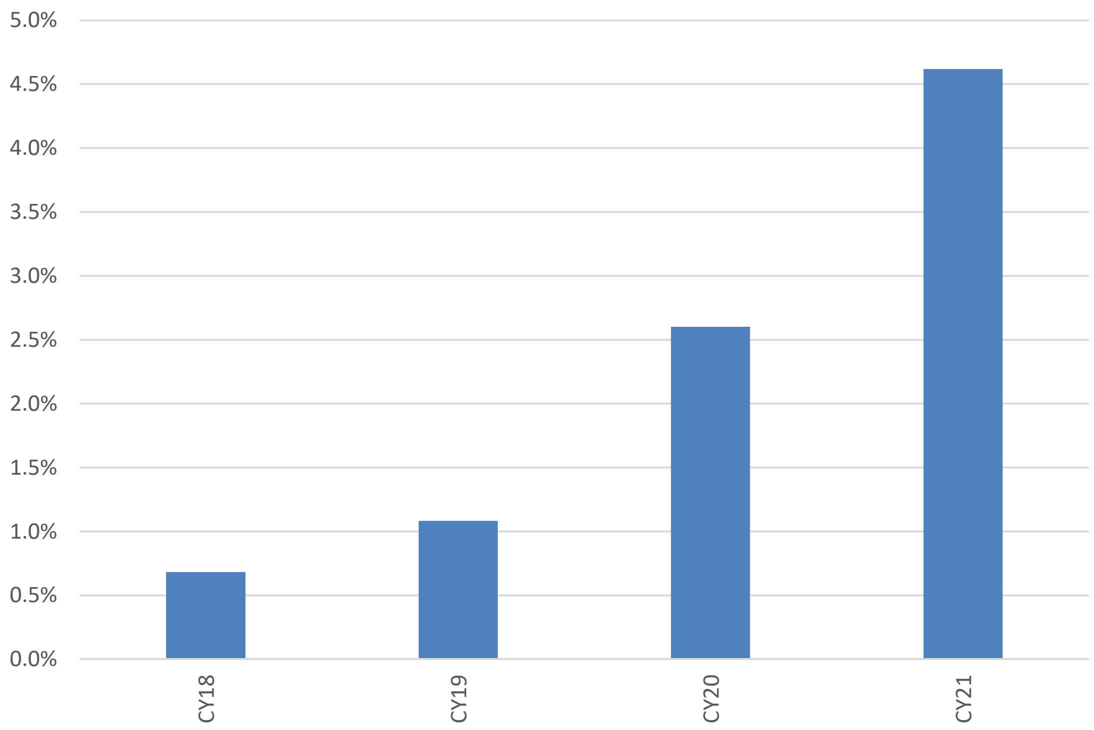


Source: NZTA

- Overall transaction levels in late 2021 and early 2022 tracking behind pre-covid levels (down 4.4% on FY21).
- The exception was March 2022 where a significant number of pre-registrations occurred to pre-empt fees under government's Clean Car Discount scheme.
- Still expecting supply constrained market for next few years due to impact of semi-conductors, disruption to material supply, and impact of government regulation
- Used car prices rose ~10% since April 2020 but now stabilised.
- **Registered dealer numbers at lowest point in the last 5 years (3k), down 14% from peak in 2017…we expect to track down further due to challenges in supply and impact of government regulation.**

EVs and Subscription (ESG #1)

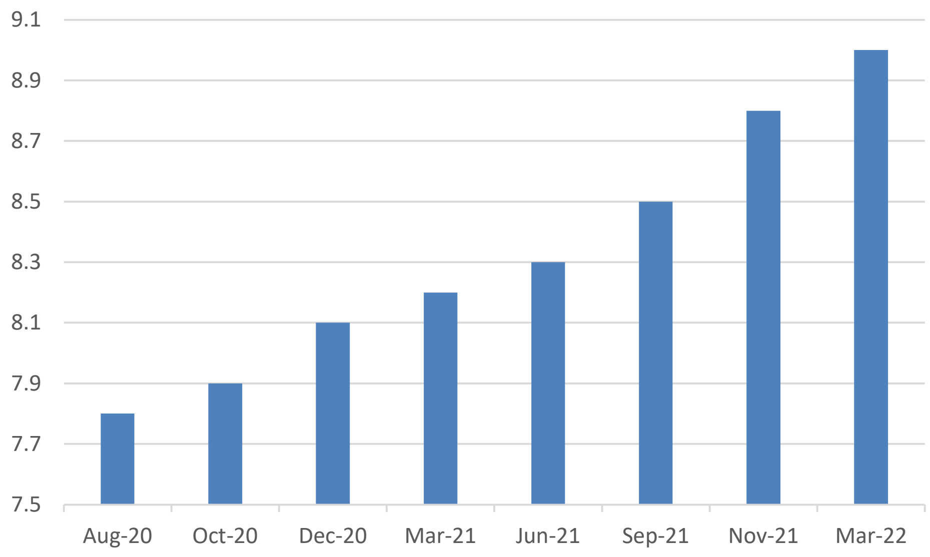
EV/Hybrid sales as % of total sales



- Turners have a role to play to help the NZ fleet transition, in partnership with EECA we have expanded our EV fleet.
- We currently have 100 vehicles on subscription of which 44 are EVs or Hybrids. There is high demand for these subscription cars…and helps with “try before you buy”
- Used EVs continue to be difficult to source…Japan is the major source of used vehicles for NZ. There are 303k EVs in vehicle fleet out of a total of 78m cars. New EV sales in 2021 were 20k against new car sales of 4.4m
- Older low range EVs have a good fit in the subscription business
- EV and Hybrid sales are growing as a % of total cars sold in Turners, and as more corporate and government fleets transition we will see these numbers grow further.

Environmental Social Governance (ESG #2)

Peakon Employee Engagement Scores



Across nearly 700 employees we are averaging 9/10 to the question "How likely is it that you would recommend Turners Auto Group as a place to work?"

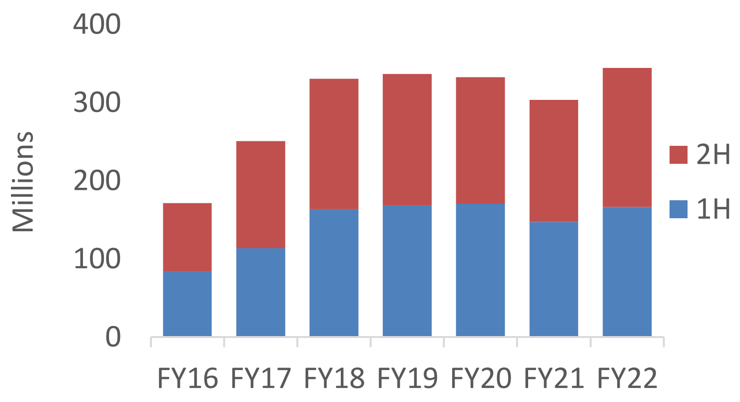
- The focus through 2021 has been on delivering on the "social" pillar of our ESG strategy.
- Employee engagement has continued to increase at a time where retention and recruitment has been under significant pressure in the wider economy.
- Turners Auto group rank in top 5% of consumer businesses using Peakon.
- Dealing with 2,200+ customer hardship situations in Oxford Finance and successfully rehabilitating 99% of these over the last 24 months.
- Introduced customer experience measures across all business divisions part of our "good customer outcomes" focus.
- In process of establishing and measuring emissions targets and a number of initiatives underway already.

1. FY22 Results

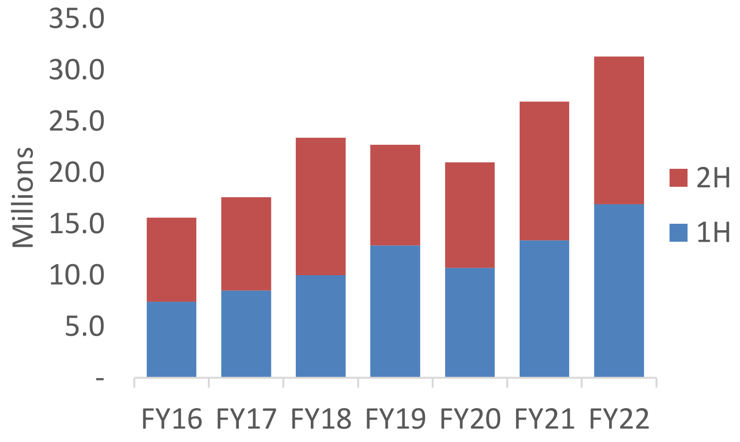
FY22 Results snapshot

Revenue **$344.5m** +14%	Shareholders' Equity **$252m as at 31 March 22**
Underlying Net Profit Before Tax **$44.1m** +29%	Final Dividend 7.0 cps **FY Div 23.0 cps** +15%
Net Profit Before Tax **$43.1m** +15%	FY22 Earnings Per Share **36.4cps** **(FY21 31.4cps,** +16%**)**
EBIT* **$47.7m** +11%	
Net Profit After Tax **$31.3m** +16%	* EBIT adjusted for interest expense in Finance (non-IFRS measure)

Revenue



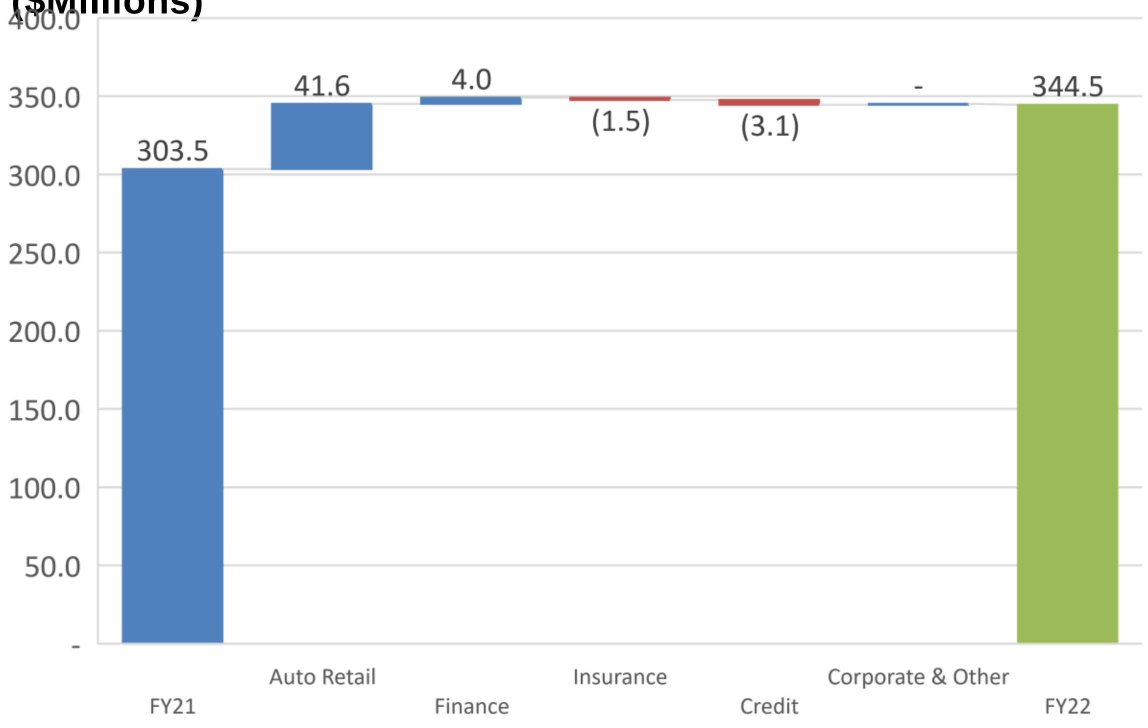
Net profit after tax



FY21 to FY22 Revenue bridge

Revenue increased from $297m to $345m

Revenue Bridge FY21 to FY22 ($Millions)

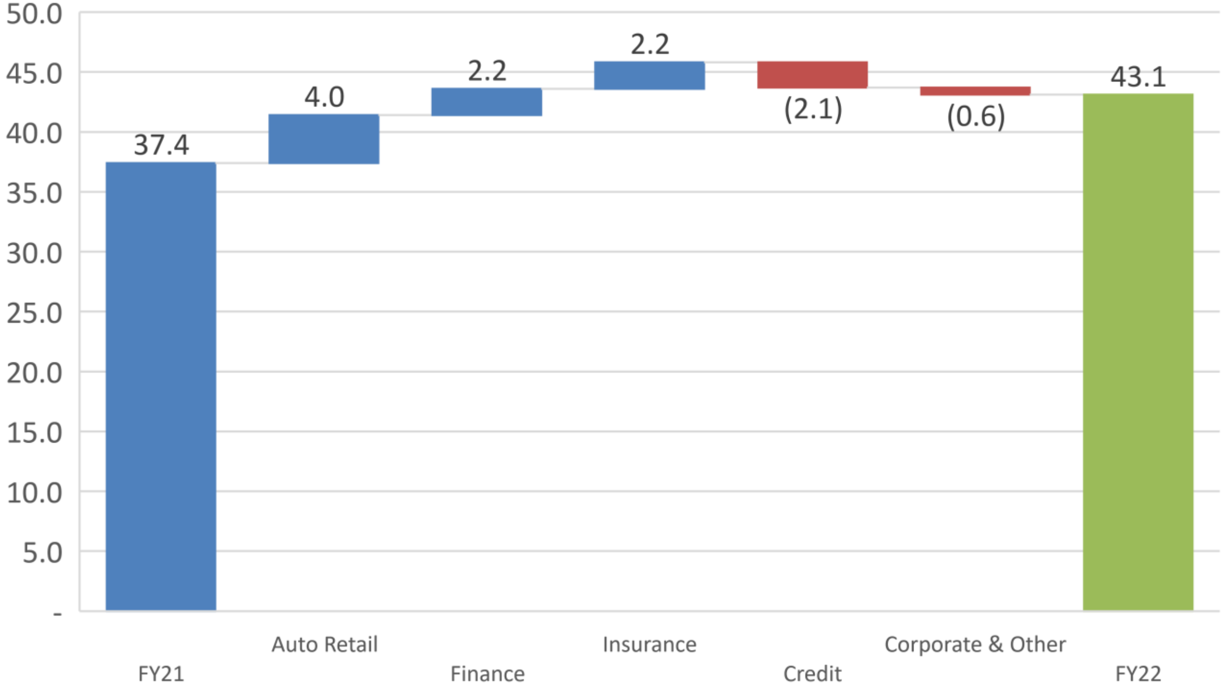


- Revenue still impacted by Delta lockdowns in Q2 and and Omicron in Q4
- Auto revenues have grown off increased market share, new branches and more owned stock flowing through the business.
- Finance book revenues reflect strong loan book growth from premium borrower segment.
- Insurance revenues marginally down on FY21, reflecting downward movement in used car market and CCCFA impact.
- Credit Management revenues have dropped as a result of less market arrears and “no communication” periods with debtors.

FY21 to FY22 Net profit before tax (NPBT) bridge

NPBT increased from $37.4m to $43.1m

NPBT Bridge FY21 to FY22 ($Millions)



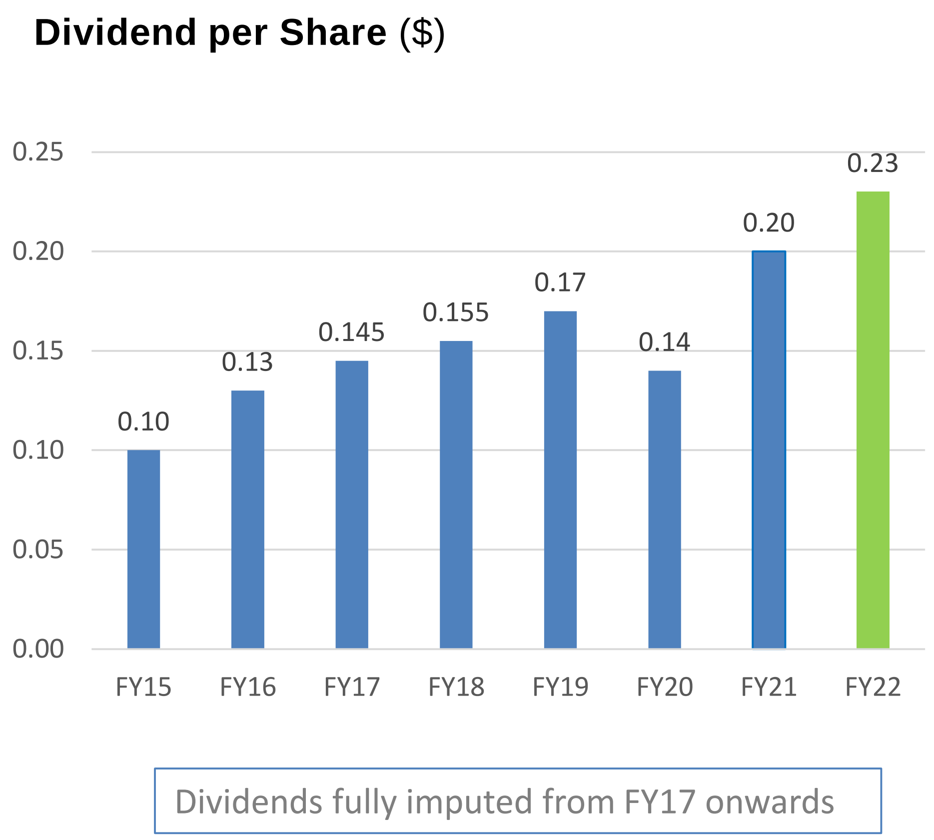
- Auto Retail result underpinned by better finance penetration, better margins, more owned stock and new branches.
- Finance driven by loan book growth and taking market share in premium borrower segment
- Insurance result reflects improvement in claims ratios and cost base
- Credit management result is driven off reduced commissions from less debt loaded.

Reconciliation: NPBT to underlying NPBT

$Millions	FY22	FY21	Var
Reported profit before tax	43.1	37.4	15%
Profit on sale of MTF shares	(0.5)		
NZ Government Covid Support	(1.6)	(5.1)	
Covid Restriction Profit Normalisation	3.1	3.5	
Property exit and lease adjustments		(1.3)	
Staff Restructuring		(0.2)	
Underlying net profit before tax	44.1	34.3	29%

- Significant improvement in underlying profit reflects improved margins, increased market share in auto, finance and insurance, combined with improved group resilience in lockdown trading conditions.
- Sale of residual MTF shares back to MTF for a total of $3.4m (**above carrying value**) in June 21
- H1 Delta lockdown caused profit impact of $3.3M, bounce back in Q3 of $1.1M offset by Omicron impact in Feb/Mar $0.9M

Turners has a strong and sustainable yield



- Proven track record of delivering strong and growing dividends in the business
- Directors declared a final dividend of 7.0 cents per share (fully imputed) taking YTD dividends to 23.0 cents per share.
- Based on the current share price the <u>gross yield 8%+ pa</u>

Balance sheet has capacity to support growth

$Millions	FY22	FY21
Cash and cash equivalents	13	12
Financial assets at fair value	70	70
Inventory	32	30
Finance receivables	423	330
Property, plant and equipment	68	60
Right of use Assets	23	24
Intangible asset	164	166
Other assets	32	26
Total Assets	825	718
Borrowings	413	340
Other payables	50	38
Deferred tax	13	11
Insurance contract liabilities	55	53
Lease liabilities	28	29
Other Liabilities	14	14
Total Liabilities	573	485
Shareholders Equity	252	233

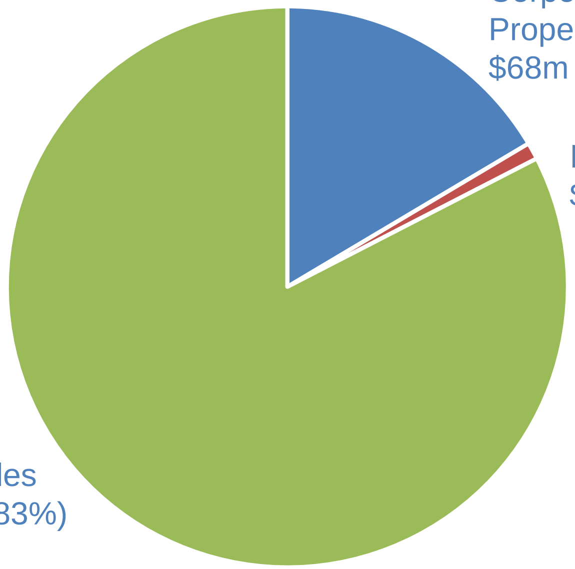
- **Inventory levels** have remained stable as we improve processing times and overall turn metrics
- Increase in **Finance Receivables** reflects growth in Oxford.
- **Property, plant and equipment** increase due to acquisition of sites in Rotorua and Nelson.
- **Increase in borrowings** reflect ongoing growth in Oxford receivables

Funding mix optimised to support growth

Borrowings

$Millions	Limit	Drawn
Receivables – Securitisation (BNZ)	320	302
Receivables – Banking Syndicate (ASB/BNZ)	50	39
Less Cash		(5)
Net Receivables Funding	370	336
Receivables Funding Capacity		34
Corporate & Property	90	68
Working Capital (ASB & BNZ)	30	4
Less Cash		(8)
Net Corporate Borrowings		64
Corporate and Property Funding Capacity		**56**

Borrowings by Utilisation ($Millions)
As at 30 March 2022



- Corporate Bond has been repaid with new ASB term loan facility at significantly reduced interest rate
- Securitisation funding facility limit to be extended in November to $320m (excluding capital contribution from TRA).
- Commenced term out process to introduce 3rd party funders to Oxford securitisation warehouse and targeting transaction in H1 FY23

2. Segment Results

FY22 by segment

$ Millions	Automotive Retail		Finance		Insurance		Credit	
Revenue	242.5	21%	51.9	8%	40.4	(4%)	9.7	(24%)
Segment Profit	19.4	26%	18.0	14%	11.6	24%	3.0	(40%)

FY22 Update by segment

Auto Retail

- Market share gains through brand promotion and retail optimisation initiatives
- Covid recovery and cost management
- Margin improvement through improved buying and supply constraints

Finance

- Finance continued focus on targeting high quality borrowers, attracting 50%+ of new lending in premium risk business
- Arrears continuing to improve
- Navigating CCCFA changes well

Insurance

- Good progress building out distribution using APIs
- Claims ratios continue to improve, + less cars moving during lockdowns and outbreaks

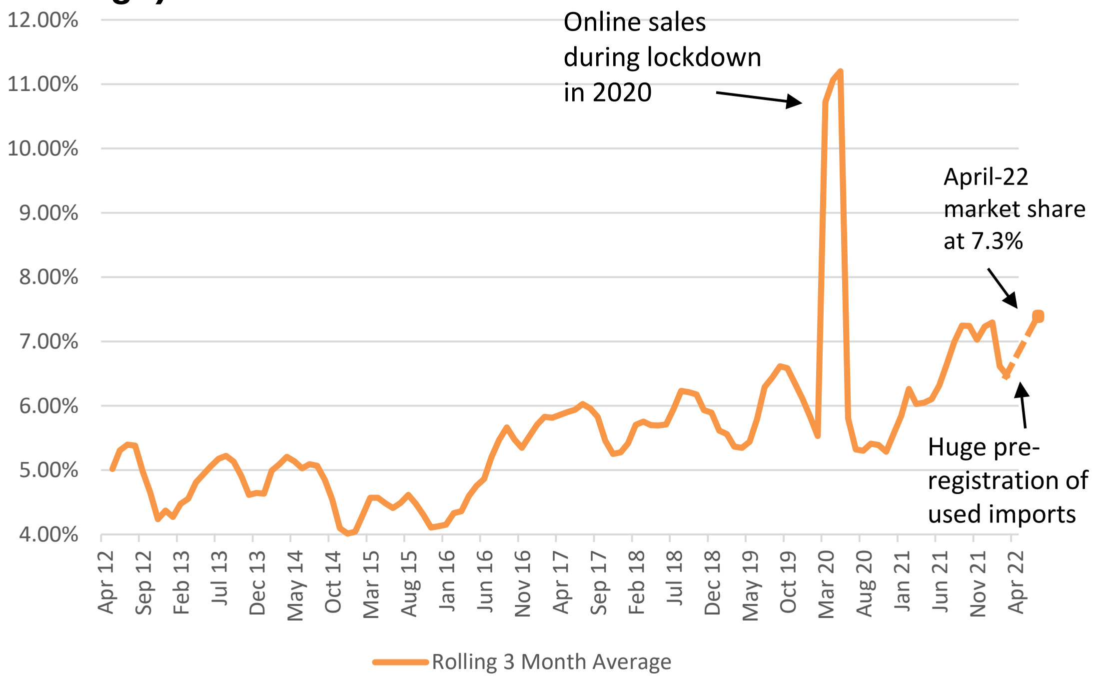
Credit/Management

- Debt load recovering slowly
- Collections work impacted in lockdown regions
- Good progress on cultural transition and focus on rehabilitation of debtors

Automotive retail

Revenue 242.5m +21%, Segment Profit $19.4m +26%

Turners Retail Market Share (3 Month Rolling Average)



- Margins on "owned" fleet have continued to improve due to a number of buying improvement initiatives, more retail sales and constrained supply of used cars nationally. GP per unit on owned stock up 8% over FY21 to $818.
- Focus on our retail optimisation strategy working with Retail (BuyNow) sales up 6% over FY21 and improving retail market share.
- Focus on sourcing delivering results with total owned units sold up 25% on FY21.
- Finance strike rate up to 32.7% (FY21 30.6%) despite disruption caused by CCCFA changes in Dec-21
- Inventory levels maintained within a $29m-$32m range, around 30% lower than peak at beginning of April-20. $32.0m at end of Mar-22
- Significant improvement in commercial business with damaged and end of life vehicles sold up 13%

Property asset “unrecognised gain” growing…22c of gains per share

Site	Purchase Date	Original Cost ($m)	Mar-21 Valuation	Mar-22 Valuation	Unrealised Gain/Loss
Developed sites					
John Seddon Drive, Porirua	Mar-17	7,800	9,700	10,400	2,600
160 Roscommon Road, Auckland	Jul-16	6,600	10,700	12,500	5,900
Walton Street, Whangarei	Oct-17	5,400	6,500	7,600	2,200
Francella St, Christchurch	Mar-19	1,800	2,700	2,800	1,000
Archers Road, Auckland	Nov-17	13,600	17,000	17,600	4,000
Mt Richmond, Auckland	Jun-19	11,300	13,600	14,000	2,700
Matipo Lane, Palmerston North	Mar-17	800	1,100	1,200	400
Total Developed sites		**47,300**	**61,300**	**66,100**	**18,800**
Development sites					
Nelson	Mar-21	4,500			
Rotorua	Apr-21	6,000			
Commitments					
Napier	Oct-21	11,700			
Timaru	Dec-21	2,000			
Tauranga (Tauriko)	Dec-21	4,000			
Total Property Value		75,500		94,300	

Note - Unrecognised property gains are generated from group owned properties that are subject to annual independent valuations and the unrecognised gain is the difference between the valuation as at 31 March 2022 and the original cost of the properties.

- We have continued to build our portfolio of property over the last 7 years
- These properties are on the balance sheet at cost at $47.3m compared to independent valuations of $66.1m resulting in an unrealised gain of $18.8m over the cost price.
- This has generated 22c per share of unrecognised value for shareholders and 5.6c per share in the FY22 year
- Committed sites for
  - Napier – expanded cars site
  - Timaru – new cars branch
  - Tauranga (Tauriko) – new commercial branch
- Offers and negotiations under way in East Auckland, Tauranga and Christchurch

Rotorua – on track for completion of development by end of Q2

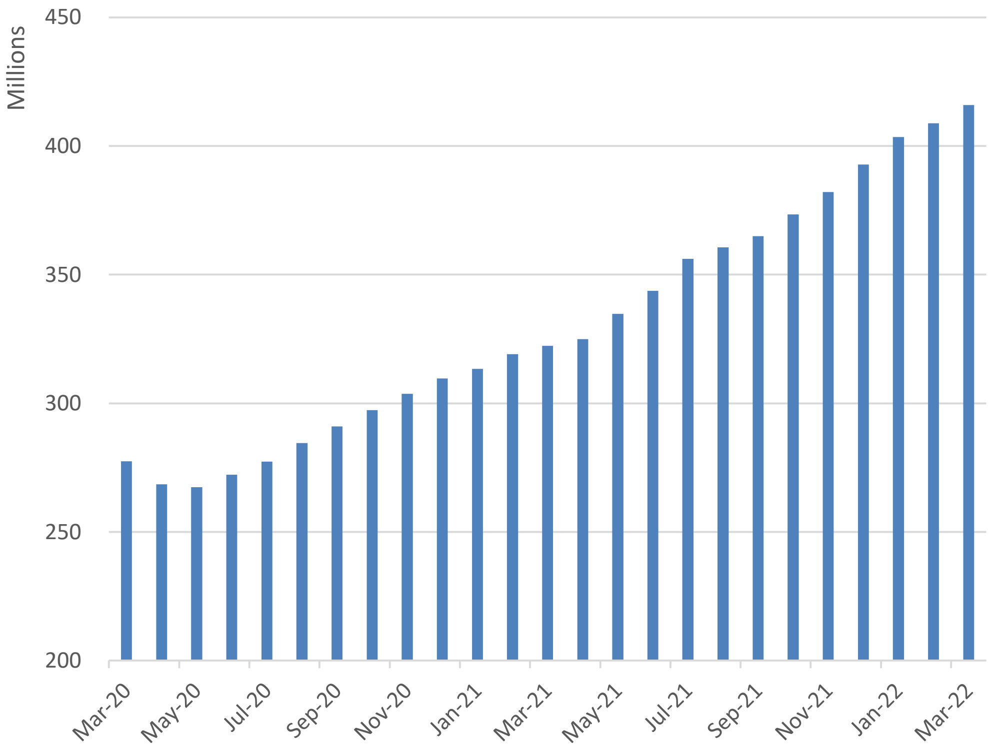
- Performance on track for delivering $1m+ in operating profit
- Market share tracking at ~10%+ within 6 months of operation

Nelson operational H2 FY23

Finance

Revenue $51.9m +8%, Segment Profit $18.0m +14%

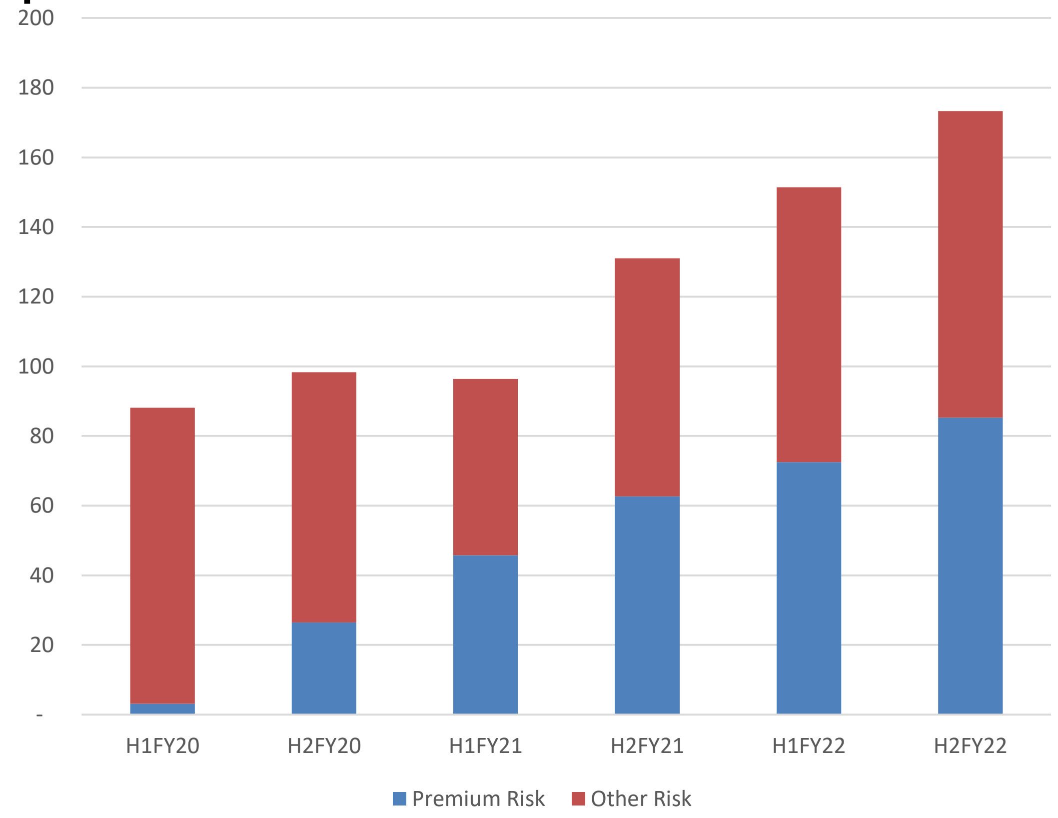
Total Receivables (ex impairments)



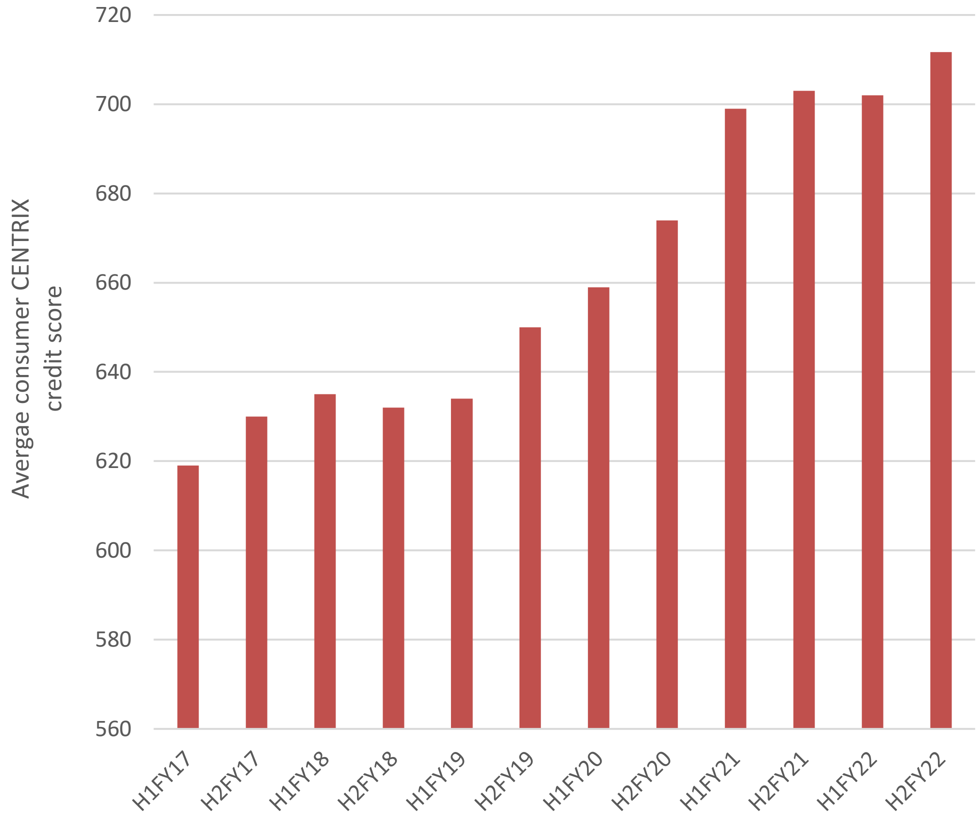
- Loan book has grown 28% over FY21 to $423m, driven out of strong premium borrower lending now accounting for 1/2 of monthly lending.
- Navigated CCCFA changes in Dec-21 well which led to further market share growth
- Total arrears continue to track down at historic low levels, Consumer arrears at 2.0% at end of March (4.9% Mar-21) and Commercial arrears at 0.5% (1.8% Mar-21).
- Still carrying a material Covid-19 arrears provision buffer to allow for future uncertainty and performance of loans that have been in hardship status.
- Margin and pricing management critical focus for FY23

The quality of the finance book continues to improve…

Total New Lending with Premium Tier Risk Split

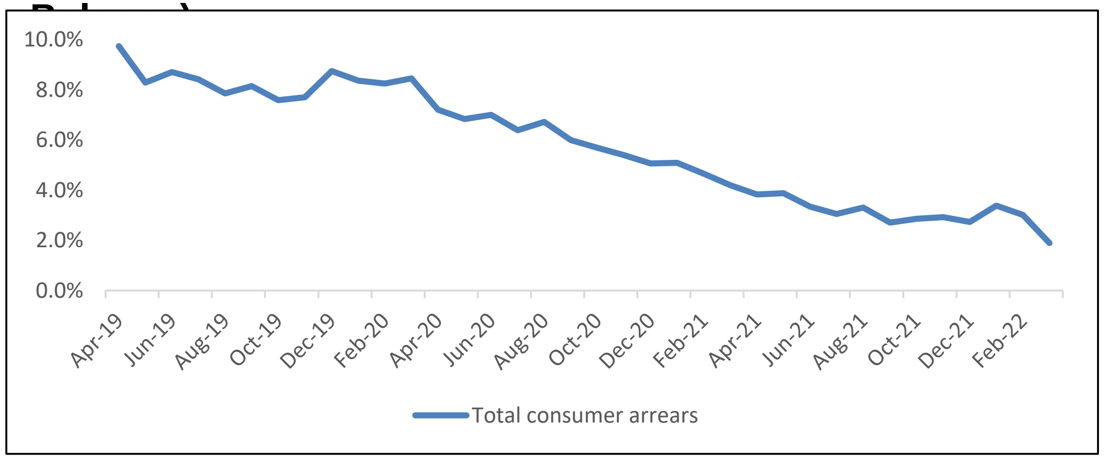


Average Credit Score

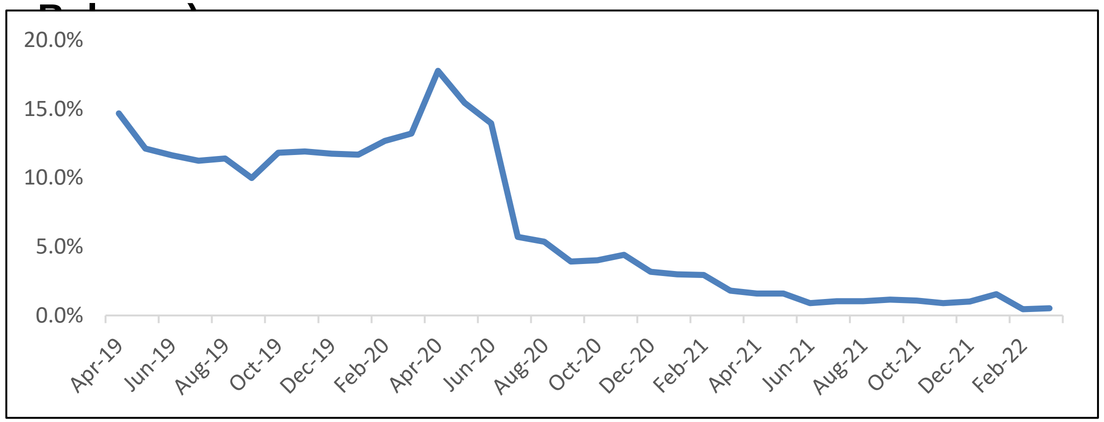


Quality lending strategy resulting in arrears at record lows

Consumer Customer +3 Day Arrears (Loan



Commercial Customer +3 Day Arrears (Loan



- Our large proportion of premium borrower business combined with the run-off of legacy loan book leads to structural improvement in arrears

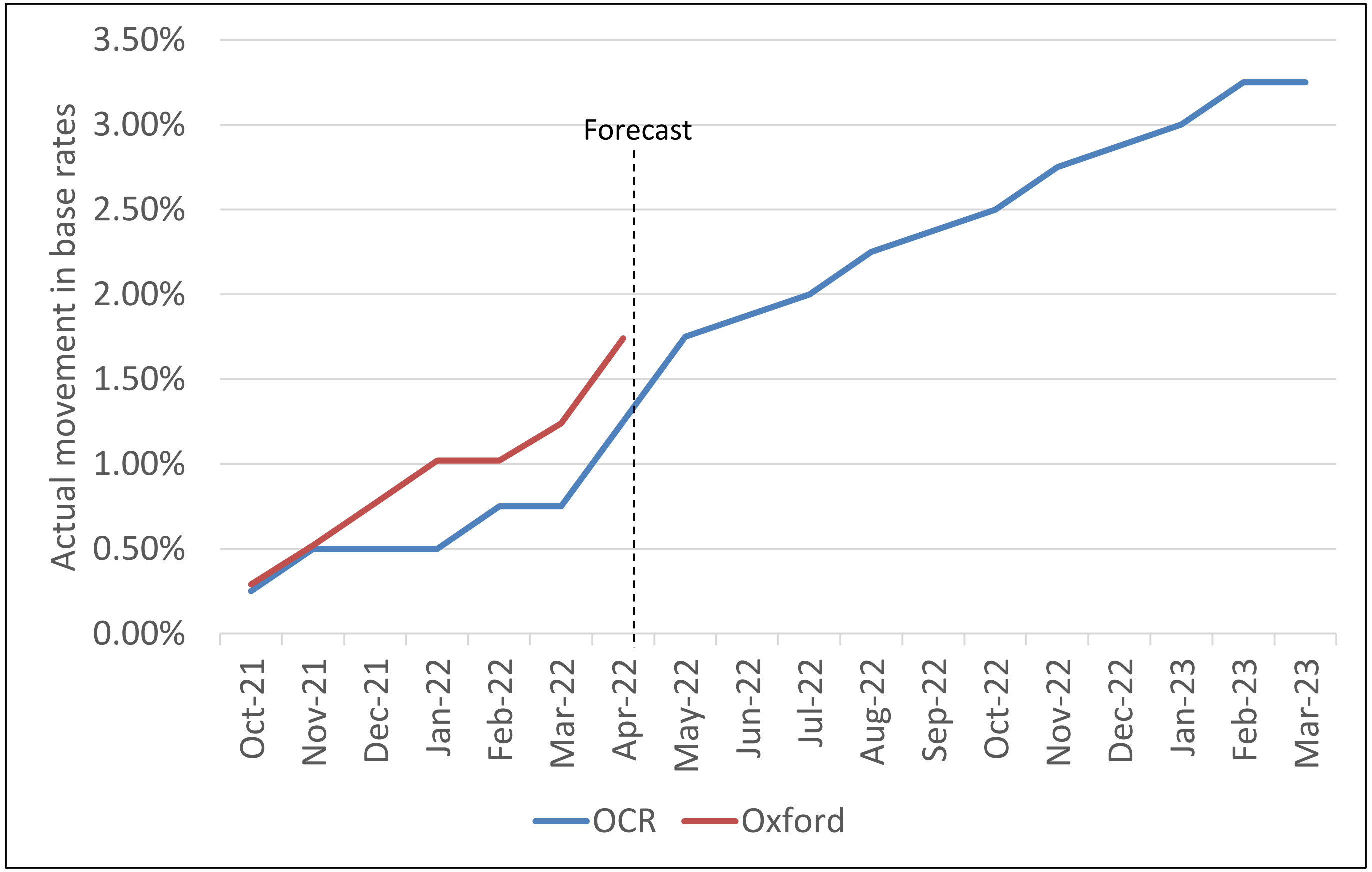
- Affordability calculations have been a core part of Oxford credit process for 5 years…with continued review and tightening of our risk pricing categories over this time.

- Since Aug-19 we have written $312m of consumer business of which 77% (or $241m) of lending has been in Premium and Tier 1 (our two top risk pricing categories). There is $683k (or 0.2%) in 31+ days arrears.

- Since Aug-19 we have written $80m in commercial loans of which 87% (or $70m) of lending has been in Premium and Tier 1 (our two top risk pricing categories). There is $85k (or 0.1%) in 31+ days arrears.

Pricing and margin management are a top priority…

Oxford base rate price movements v OCR actual and forecasted

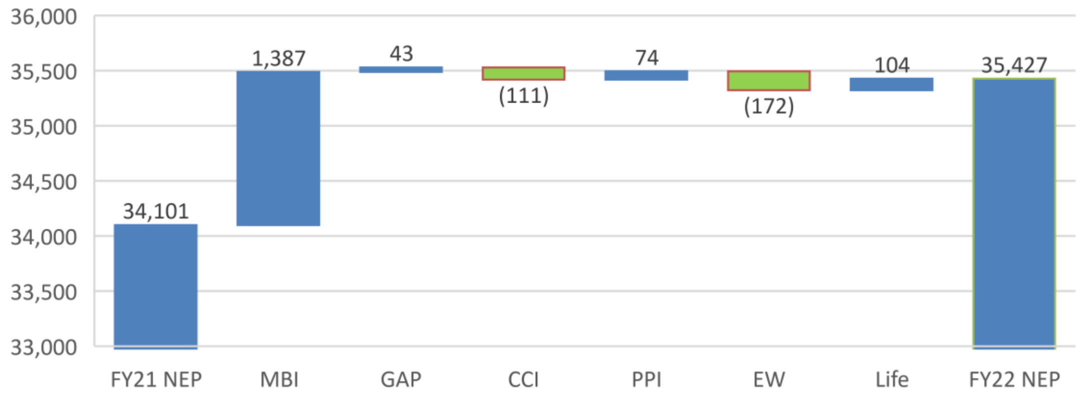


- Oxford Finance base rates have been increased 6 times for a total of 1.74% since Oct 2021 v OCR movement of 1.25%
- The OCR is forecast by BNZ to have further increases of 2%+ over the next 12 months
- We expect NIM to reduce over the next 18 months as we manage the tension between market share and margin.
- Our strategy is to proactively reviewing pricing to mitigate the impact, and ensure we are well placed to grow when interest rates stabilise.
- Some competitors continue to price aggressively, auto loan pricing has not moved as far or as fast as the mortgage pricing.

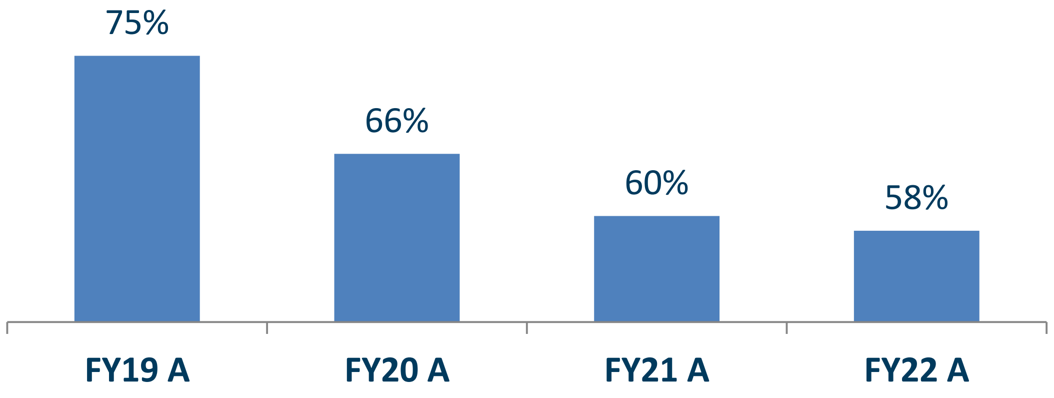
Insurance

Revenue $40.4m -4%, Segment Profit $11.6m +24%

Net Earned Premium FY21 to FY22 ($000's



MBI Loss Ratio Performance

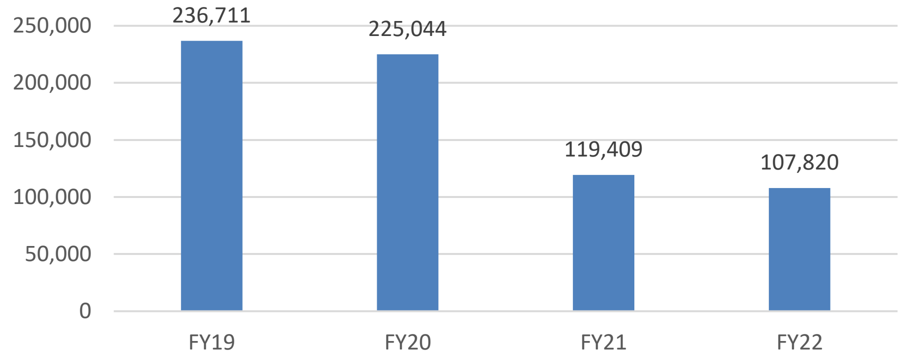


- Market share gains driving strong policy sales, with Gross Written Premium up 6% on FY21 to $39.9m despite impact of lockdown periods.
- Distribution arrangements working well (MTF, Marac Finance and Motorcentral using Autosure API), and pipeline of opportunities ahead.
- Claims costs 1.2% down on FY21, however parts price inflation and labour rate increases offsetting better procurement and less vehicle movement in lockdown periods.
- Operating cost ratios are continuing a decreasing trend FY22 – 20% cf. FY21 – 25%
- Reaffirmed AM Best credit rating for Insurance and Financial strength rating at B++ (good).

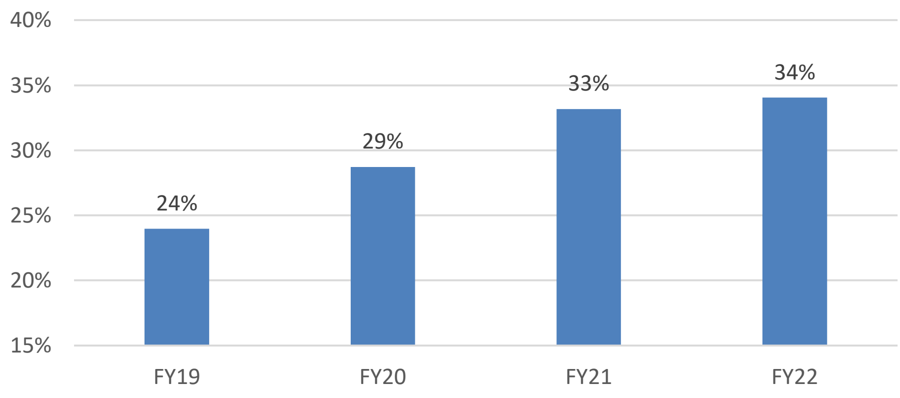
Credit management

Revenue $9.7m -24%, Segment Profit $3.0m -40%

Total Debt Loaded ($000s)



Recovery Rate on Debt Loaded



- Business continues to be hampered by historically low consumer arrears and corporates working back into recovery action
- Debt loaded down 54% on pre-pandemic levels and debt collected down 35%.
- Recovery rates have continued to improve after change to “resolution” collections focus FY22 34% cf. FY19 24%
- Payment arrangement commitments met up to 76% (74% FY21 and 70% FY20).
- Economic environment expected to deteriorate which will mean increased debt loads

3. Looking forward …

Turners.
Automotive Group

Resilient and well diversified, poised for further growth ahead

The business benefits from strong geographical and earnings diversification during restrictions.

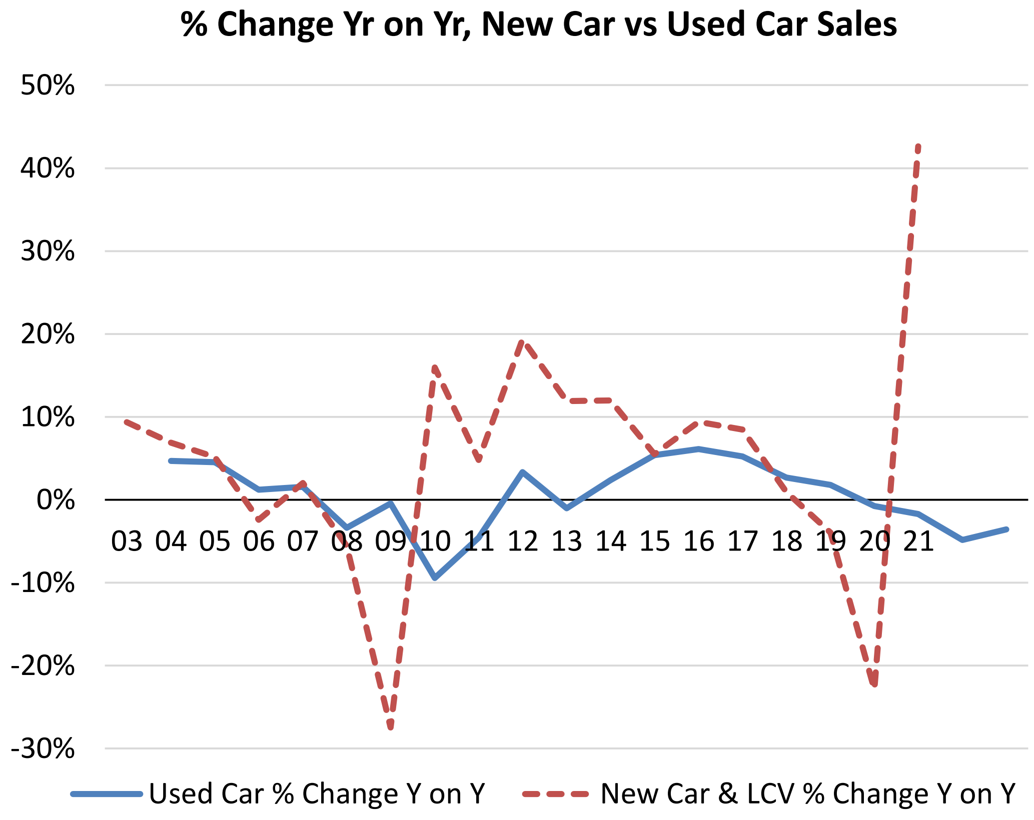
1. Used car market is resilient…proven over time

2. Diversified business – geographic diversity and earnings diversity (annuity earnings more than 55% of profits)

3. High "trust" brands – consumers move to high trust brand in times of uncertainty…we are building market share

4. Digital has become a competitive advantage - already demonstrated in both lockdown and normal periods

5. Business has a strong balance sheet and supportive banks



There are some challenges on the horizon…

We are across the challenges in the macro environment and are working proactively to minimise their impact…

Challenge	What we are doing now…	What are still to do…
Rapid increases in interest and Inflation rates	• Increased buyer and seller fees in Auto • Adding more resource in parts procurement and claims management for Insurance • Investing in property • Increasing pricing in finance business • Prioritising margin management in finance over loan book growth	• Investing in digital initiatives to drive productivity improvements eg. core insurance application, vehicle processing speed in auto, redesign of loan origination application in Finance • Diversifying funding sources by introducing new funders into Securitisation Warehouse • Increase volume of direct lending
Supply Chain	• Focus on local vehicle sourcing • Investing more resource in parts procurement in Insurance	• Continued focus on local sourcing, and driving up conversion of purchasing opportunities • Building mobile insurance claims assessing resource
Recruitment and retention of people	• Implemented salary benchmarking data and tool across the group • Employee engagement tool drives improvement to employment experience • Introduced new staff benefits eg. Team Bonuses	• Employee share scheme rollout (have 50% of team registered interest) • More investment in learning and development opportunities
Regulatory	• Keep investing in digital initiatives to ensure system agility • Engage constructively with regulators directly and through FSF, VIA • Focus on good customer outcomes • Increasing local vehicle sourcing to minimise impact of changes to import regulations	• Continued focus on good customer outcomes by measuring and improving customer experience • Continue to engage constructively with regulators directly and through industry associations

Growth model: FY23

Auto Retail
- Stock acquisition – Keep building domestic sourcing
- Improve speed to sale – operational cadence
- Retail optimisation and expansion – develop new sites and build retail volumes

Finance
- Pricing and margin management
- Improve credit decision turnaround timing
- Early settlement and loan application conversion

Insurance
- Expand distribution through partnership strategy
- Core insurance system replacement
- Continue to enhance risk pricing and product features

Credit Management
- Grow SME lead generation capability
- Build on “resolution” focused collections strategy
- Continue working closely with corporates to manage reputational risk

Growth model: FY22 – FY25

The model gives us confidence in higher earnings growth through the cycle.
We have found the right formula, and will optimise further …

Four key areas underpin our earnings growth. These are a combination of both physical and digital:

1. Retail optimisation and branch expansion

2. Vehicle purchasing decision-making

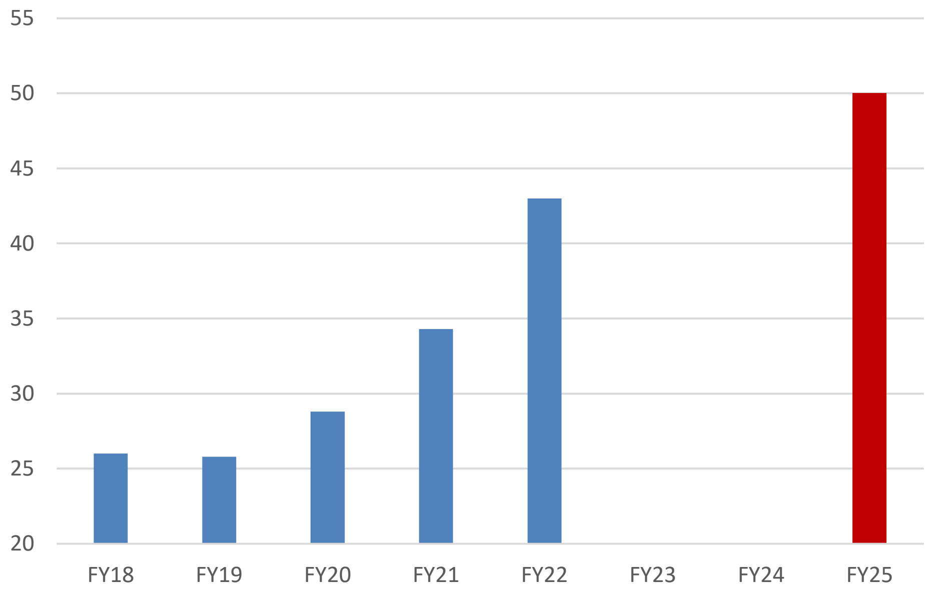
3. Margin management and premium lending

4. Invest in digital and omni-channel customer experience

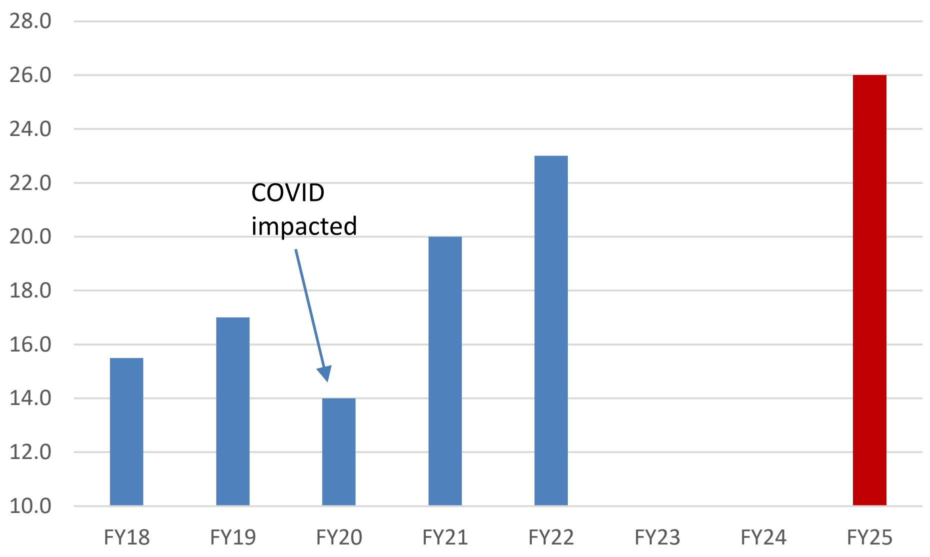
$50M PBT by FY25…

The broader economic environment is expected to moderate the rate of growth we have experienced over the last 3 years.

Underlying Net Profit Before Tax ($M) [1]



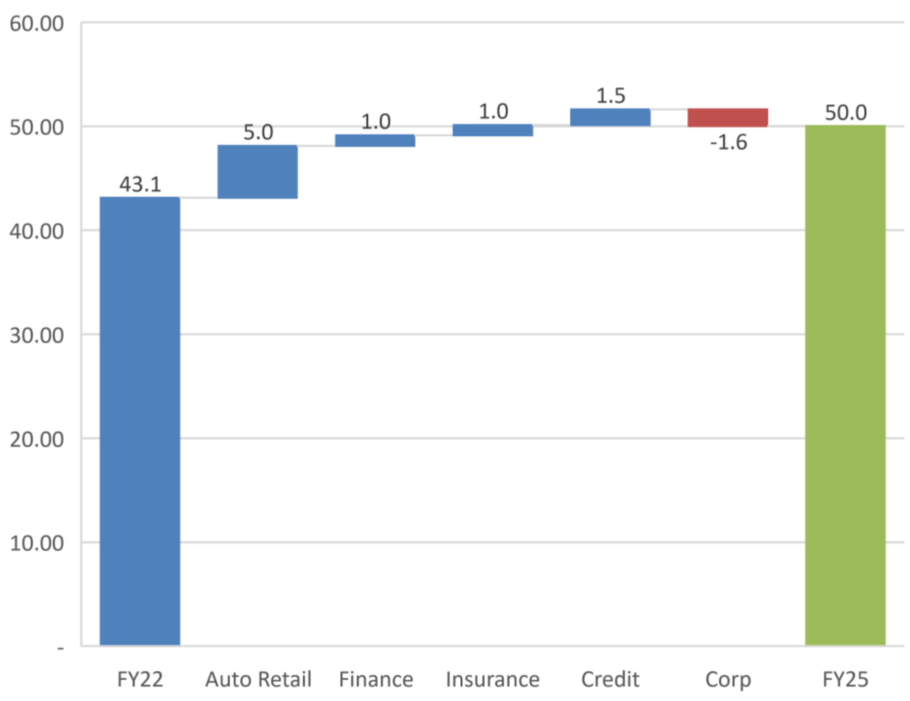
Dividends Paid (cps)



[1] Underlying NPBT is a non-GAAP measure
Reported NPBT ($m) for FY18 31.1, FY19 29.0, FY20 29.1, FY21 37.4, FY22 $43.1
Reconciliations for each of the periods can be found in the respective Annual Results Presentation

Roadmap to $50M NPBT…

Net Profit Before Tax Bridge ($M)



- Business is highly cash generative, leading to growth + yield for shareholders
- Auto retail growth continues to come from retail optimisation and branch expansion. We are targeting a 10% market share.
- Margin expansion in Auto Retail out of supply side initiatives
- Headwinds in finance offset by growth driven out of direct lending and improvements in distribution
- Insurance growth to come from direct and digital distribution

Outlook + guidance

- Whilst the pandemic uncertainty has decreased, NZ's economic uncertainty has increased. The used car market is "needs" based and stable through downturns.
- In Automotive Retail, we expect to see upside from our new branches in H2 and the supply-constrained market to continue primarily due to impacts on the new car supply chain and government regulation. Domestic supply will be an advantage for Turners and underpin further market share growth.
- With the rapidly changing interest rate environment, our priority in Finance shifts to margin management. Our quality and de-risking focus will prove beneficial.
- In Insurance, we expect new policy sales to be buoyant based on our distribution and market share gains and claims ratios to stabilise.
- Credit Management is expected to perform better as the economic conditions worsen and the resultant impact on consumer arrears .
- Despite the Omicron impact April-22 result ahead of April-21

Results Video

A short video is available summarising the FY22 results at…

https://www.turnersautogroup.co.nz/invest

Questions


Turners Cars
200+ cars on site
Helping Kiwis buy vehicles for over 50 years
Turners Cars
Ask us about Finance & Insurance
Turners.
Automotive Group

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