Turners. LIMITED

18 November 2015

Company Announcement

TURNERS HALF YEAR PROFIT AHEAD OF FORECAST
Increased Interim Dividend
Capital Structure Changes

Turners Limited (NZX : TNR), today posted its unaudited interim result for the six month period to 30 September 2015, reporting a 47% net increase in profit after tax to $7.44 million (2014 $5.06 million).

Net profit before tax was $10.26 million (2014 $5.59 million), ahead of the recent market guidance of $9.50 million. The accounts reflect full tax provision although the group has tax losses to utilise.

The balance sheet at 30 September 2015 shows shareholder funds at $125.81 million ($76.63 million at 30 September 2014).

Trading

CEO and Executive Director, Paul Byrnes said all of Turners' businesses traded on or ahead of budget for the six months to 30 September 2015 and ahead of the corresponding period last year.

"Turners Group (previously Turners Auctions) recorded an outstanding second quarter with car sales volumes holding up, margins on both locally sourced and imported vehicles increasing and buoyant truck and machinery sales contributing to higher and sustained sales activity. The Turners Finance loan book increased by 30% in the last year to $42 million. Operating profit for the half year was approximately 40% ahead of the previous corresponding (pre-acquisition) period. Online and mobile technology development is expected to contribute to further business growth and efficiencies.

"Both Dorchester Finance and Oxford Finance traded at over 20% ahead of the corresponding period last year despite the more competitive second tier motor vehicle finance market that has evolved with banks and some newer finance companies chasing lending targets and market share.

"Total receivables across the group increased to $164 million from $92 million at 30 September 2014 and $143 million at 31 March 2015. Bad debt write-offs and arrears remain at satisfactory levels. There is no concentration risk or exposure to the rural or any other specific industry sector.

"Current investment in IT to enhance customer service and improve loan approval turnaround times is expected to facilitate further growth in 2016.

"The acquisition of Christchurch based Southern Finance Limited was completed in August. With integration of the business and systems successfully completed, the focus is now on increasing distribution and new lending through the South Island motor vehicle dealer and broker network.

"The strong growth in sales of the Mainstream suite of products has continued with further expansion and increased distribution channels planned for outside the greater Auckland area. Further opportunities exist with white labelled Mainstream and DPL Insurance products developed for key distribution partners.

"The EC Credit debt collection business traded comfortably above the previous corresponding period despite the stronger New Zealand dollar. Growth opportunities include building the Australian corporate and bank customer base for contingency collection revenue. Current IT and information systems are being developed to improve collection efficiency in both the New Zealand and Australian SME markets".

Dividend

Directors have declared an increased interim dividend of 0.6 of a cent per share, 50% up on the 2014 interim dividend of 0.4 of a cent per share. The dividend (un-imputed) will be paid on Tuesday 15 December 2015. For the purposes of determining shareholder entitlements, the record date will be 5.00 pm Tuesday 8 December 2015.

Directors expect the current dividend policy of a pay out of between 50% and 55% of underlying tax paid profits to continue.

It is expected that any final dividend for the year ended 31 March 2016, which would normally be paid in July 2016, will be partially imputed to around 50%. Dividends paid thereafter are expected to carry full imputation credits.

A move to quarterly dividend payments in the 2016/2017 financial year is covered under Capital Structure Changes below.

Capital Structure Changes

(i) Share Buyback of Holdings under 5,000 shares at $0.30 per Share

There are currently 1,860 shareholders with holdings under 5,000 shares who hold a total of approximately 4 million shares or 0.6% of the shares on issue.

The Company proposes to offer to purchase these holdings at $0.30 per share with no brokerage payable. The offer will be mailed out by the end of November, with payments to be made around the 18th December 2015. The shares will still qualify for the interim dividend.

(ii) Compulsory Sale of Minimum Holdings of under 1,000 shares

There are currently 450 shareholders with holdings under the NZX minimum holding size of 1,000 shares who hold a total of 213,000 or 0.02% of the shares on issue.

In accordance with NZX Main Board Listing Rule 8.5.1, the Company will be giving holders of under 1,000 shares 3 months' notice of the Company's intention to sell their shares on market if they still hold less than a minimum holding and account to them for the net proceeds.

Holders of under 1,000 shares will be eligible for the share buyback offer of $0.30 per share described above.

(iii) Share Consolidation of 1 share per 10 currently on issue

Following the buyback of holdings under 5,000 shares and the sale of minimum holdings under 1,000 shares and immediately prior to 31 March 2016, the Company will implement a share consolidation.

Every 10 shares currently held will be consolidated into 1 share.

The conversion formula for the Bonds currently on issue will be amended accordingly.

(iv) Move to Quarterly dividends in 2016/2017 Financial Year

Directors have confidence that the current dividend yield is sustainable. It is therefore intended to move to a quarterly dividend following the final dividend for the year ending 31 March 2016, which would normally be paid in July 2016. It is expected that dividends paid after July 2016 will carry full imputation credits.

Commenting on the capital structure changes, Mr Byrnes said:
"Directors have considered and taken independent advice on a number of capital and structural options over the last year or so. We believe the changes announced will strengthen the register and provide confidence around the ongoing growth and sustainable earnings of the group.

"While some shareholders may have differing views on the merits of any particular structural option, the overall changes should deliver positive share price signalling to the market for the benefit of all shareholders".

Outlook

Trading has continued at forecast levels since the 30th September 2015 half year balance date.

Current market guidance for the 12 months to 31 March 2016 is a net profit before tax of $20.0 million. Turners expects to at least achieve, and is more likely to exceed, this profit forecast.

Turners' Chairman, Grant Baker said the pleasing aspect of trading performance for the first half was the strong contribution from all operating entities.
"Trading performance of the group overall remains on plan. We have also addressed a number of capital structure issues. The balance sheet is relatively conservatively geared and the business is in a strong position overall.

Our aspirations are for significant further growth and greater scale particularly in our finance and insurance activities. Inevitably this will involve further acquisitions and we are actively considering merger and acquisition opportunities consistent with our strategy and which will create positive shareholder value".

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