

## TURNERS LIMITED HALF YEAR RESULTS

### Strong Growth Continues for Turners: Half Year Result Ahead of Forecast

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- Net Profit Before Tax (NPBT) of \$11.76m, ahead of September 2016 guidance of \$11.60m
- Net Profit After Tax (NPAT) of \$8.53m
- Improved revenue result for all divisions – Automotive Retail; Finance and Insurance; and Debt Management Services
- Q2 dividend of 3 cents per share taking FY17 dividends in the half year to 6 cents per share
- Increasing financial performance being driven by both organic opportunities and M&A activity
- Integration of recent acquisitions - Buy Right Cars Group and Pacific Life – on track and both are performing well

Integrated automotive financial services group, Turners Limited (NZX:TNR), has today released its unaudited interim results for the six months to 30 September 2016, reporting a 15% increase in Net Profit After Tax to \$8.53m (HY16: \$7.44m).

Net Profit Before Tax of \$11.76 (HY16: \$10.26m) was above Turners' September 2016 guidance of \$11.60m.

The result includes two months trading from Buy Right cars, which was acquired in July 2016, and excludes any contribution from Autosure Insurance which will settle on 1 December 2016. The benefits of the investment into an increased 8% shareholding in MTF Vehicle Finance (MTF) will start to flow through in Q4 FY17, with the full benefits realised in FY18.

The Turners Board has declared a Q2 fully imputed dividend of 3 cents per share. Turners moved to quarterly dividend payments from the start of the FY17 financial year, with today's dividend taking total dividends for the FY17 half year to 6 cents per share.

Shareholder funds at 30 September 2016 were \$151.32m, up 20% on the prior first half period due primarily to the successful conversion to equity from the 2014 Bond Program (HY16: \$125.81m).

Chief Executive of Turners Limited, Todd Hunter, said: "Turners has once again delivered on its guidance to shareholders, with a strong half year result and a further uplift in performance. All divisions delivered improved revenue results and the value of our M&A strategy is now becoming obvious, with additional earnings and new organic growth opportunities being generated from acquisitions and investments."

## **Sector Trading**

### Automotive and Retail

The Automotive and Retail sector delivered a 31% increase in operating profit to \$6.91m, including a two month contribution from Buy Right Cars. Turners Group operating profit has improved 19% on a year to date basis (including a revaluation increase of \$523k in the MTF shareholding.) Cartopia, the online-only car purchasing website, has launched and momentum is building in this new channel. This is a new way of buying cars in New Zealand and customer feedback on the hassle-free, haggle-free buying experience and the 7 day right of return, has been very positive. Turners continues to expand its footprint in the Trucks & Machinery market and, building on its success in this area, has acquired a further two properties in the first half year. Finance revenues for Turners Group and Buy Right Cars are growing strongly and delivering excellent profits for the company.

### Finance and Insurance

The Finance segment continues to shift its focus towards more consumer automotive related lending with less commercial lending, and delivered operating profit growth of 7% over the same period last year. Oxford Finance continues to perform well, with operating profit 24% ahead of the previous year, partially offsetting a small decrease from Dorchester Finance as it transitions to higher quality, lower risk consumer lending. Benefits are now being realised from Turners' 8% shareholding in MTF, with the launch of a new non-recourse lending product as part of an exclusive partnership between Turners and MTF. The securitisation funding model remains on track to be implemented in FY17, and this will reduce the cost of funds, create further growth headroom and strengthen Turners' funding base for its finance business.

Whilst the insurance business has had strong policy growth (60% increase) and revenue growth (21% increase) in the first half, this has been overshadowed by the impact of increases in insurance reserves, resulting in an 81% decrease in operating profit for the insurance division for the first half compared to prior year. The low and further reducing interest rate environment has caused a significant negative impact on life insurance reserves, which will unwind as interest rates increase. There has also been an increase in claims costs in the general insurance products. Whilst the increases in reserves have no impact on cash flow, they do highlight the sub-scale nature of Turners' insurance business, and illustrates the benefits of purchasing the Autosure Insurance business and establishing the distribution/underwriting partnership with Vero for motor vehicle insurance. The Autosure acquisition gives Turners the scale needed and simplifies the insurance business from an underwriting perspective.

### Debt Management

EC Credit Control remains highly cash generative and delivered a 51% increase in operating profit to \$3.40m (including a release of \$597k from unredeemed debt vouchers). Corporate debt collection has improved and the business is continuing to focus on both the SME market, as well as the large opportunity in the banking sector in Australia.

### **Outlook**

Turners remains focused on growth, both through M&A and by leveraging opportunities within each business.

The Buy Right Cars acquisition is settling in well and Turners will continue to look at acquisitions in the very large automotive retail sector. This sector not only delivers a transactional margin on each sale, it also provides opportunities to cross sell Turners' automotive finance and insurance products to these customers.

The \$34m acquisition of the Autosure insurance business was announced in November 2016 and the focus in the second half of FY17 will be on integrating this business into the Turners family. Autosure will significantly scale Turner's insurance offer, and is expected to deliver annualised EBITDA of \$5.5m in the first full year of trading.

All sectors are expected to deliver a year on year improvement in operating profit for the full year, with 10% year on year organic growth expected from existing businesses.

Turners is well funded for continuing M&A activity, with the successful completion of the fully subscribed \$25.56m Convertible Bond Issue in September 2016, and the subsequent \$13.5m share placement capital raising.

Grant Baker, Turners' Chairman said: "Turners continues to deliver an improving performance and growing shareholder value. We are well funded to continue our growth strategy and build on our leadership position in the markets in which we operate. The second half of the year looks to be another positive and exciting six month period for Turners as we continue to build scale and expand our presence."

**ENDS**

**About Turners**

Turners Limited is an integrated financial services group, primarily operating in the automotive sector.  
[www.turnerslimited.co.nz](http://www.turnerslimited.co.nz)

For further information, please contact;  
Todd Hunter, Chief Executive Officer, Turners Limited Mob: 021 722 818

Media Liaison and Assistance: Jackie Ellis, Mob: 027 246 2505