

TURNERS GROWS FIRST HALF PRE-TAX PROFITS BY 21%

Turners Automotive Group Results for the six months ended 30 September 2017

Integrated automotive financial services group, Turners Automotive Group Limited (NZX/ASX: TRA), has reported a 44% increase in revenue and a 21% increase in pre-tax profit growth for the six months as it benefits from growing retail sales, an increasing loan book and a scaled up insurance business.

Revenue was \$163.8m for the six months (HY17: \$113.9m), while Net Profit Before Tax (NBPT) increased to \$14.2m (HY17: \$11.8m). Net Profit After Tax was \$10.0m, up 18% on the previous half year (HY17: \$8.5m).

All divisions delivered improvements in revenue and operating profit, with Buy Right Cars and the Autosure insurance business both contributing a full six months of earnings, following their acquisition in FY17.

Shareholder equity increased to \$200.8m as at 30 September 2017, boosted by the \$25m capital placement completed in September 2017.

The Board has declared a fully imputed dividend of 3.0 cents per share (cps) for Q2, taking total dividends for the half year to 6.0 cps (HY17: 6 cps).

Turners CEO, Todd Hunter, commented: "Turners has reported another positive half year of growth and, while some softening in the used vehicle market was seen during the election period, overall market trends are positive and growth prospects remain strong. We are continuing to benefit from our vertically integrated business model. Finance receivables are growing strongly, as are insurance premiums, both on the back of increasing used vehicle sales.

"We are continuing to innovate with the development and launch of new products and services designed to deliver a superior customer experience. While the market is incredibly fragmented and competition is active, we believe we have unique attributes and competitive advantages which position us well for continuing growth into the future.

"An uplift is expected in the second half in line with annual trends and due to the positive impact of the growing finance book and as scale benefits are realised."

The company is on track to deliver a Net Profit Before Tax of between \$29 million and \$31 million for the full year to 31 March 2018. This would represent an 18% to 26% increase on FY17, or 10% to 14% excluding acquisitions.

TRADING PERFORMANCE

Automotive and Retail

Automotive Retail revenue was up 32% to \$113.5m and operating profit was up 27% to \$8.8m with a full half contribution from Buy Right Cars.

Turners' focus on retail customers continues, and sales to end users were 72% of all car purchases in the first half (HY16: 64%). These sales deliver higher margins and provide more opportunities to sell finance and insurance products. Finance contracts written increased by 23% and sales of mechanical breakdown insurance policies increased by 22% over the corresponding period last year.

The usual seasonal dip in trading margins has been longer and stronger this year, due to the increased supply of new and used import vehicles and increasing competition.

Investment is continuing in purpose built sites in targeted locations for the Auto Retail Division. Two new Trucks & Machinery sites in Wiri and Palmerston North are now operational, and an additional site is being developed in Hamilton. A new Turners Cars site is being developed in Porirua and a new site has just been acquired in Whangarei. A new Buy Right cars site is also under development in Penrose, adjacent to the main site in Auckland.

Management are continuing to progress the opportunity of providing service, repairs and maintenance by leveraging Autosure's relationship with over 1,500 repairers, and enabling these services to be provided in a more cost effective and more convenient way. This fits well within Turners' integrated model.

Finance and Insurance

Finance

Finance revenue was up 39% to 17.8m while operating profit was up 12% to \$5.5m. Turners finance book continues to expand. Total finance receivables have grown strongly to \$269m at the end of September 2017, and were up 30% since March 2017. Funding of new receivables is now primarily through securitisation and approximately 75% of the funds from the recent equity raise will also be used to support the growth of the finance book.

Management are focused on maximising growth opportunities and improving the quality of lending and collections efforts. Consolidation of the finance brands into one operating entity – Oxford Finance – is progressing well and will be completed by the start of FY19.

Insurance

The Autosure business has provided the scale required for Turners to operate competitively and efficiently in the automotive insurance sector. Insurance revenue jumped 345% to \$22.4m for the half year with operating profit of \$2.6m. Autosure's in-force policies were transferred to Turners at 31 March 2017 and the Autosure products now represent approximately 70% of Turners' insurance business. A

number of new initiatives have been launched including a dealer loyalty share scheme to reward finance and insurance referrals, new electric vehicle breakdown cover and the development of a comprehensive loan repayment insurance product for retail customers. The integration of the insurance businesses into a single operating entity is progressing well and is expected to be completed in FY19.

Debt Management

EC Credit Control continues to perform well and remains highly cash generative. Revenue and operating profit remained consistent with the previous year, at \$10.2m and \$3.4m respectively. Along with the retention of key corporate and banking clients, debt load from key corporate accounts continues to increase, reflecting the positive collections result we achieve for these customers. We expect a positive impact from the implementation of the Auto-Dialler on second half collections results.

Outlook

The business is in a strong financial position after the recent \$30m capital raise. The board has reflected on the oversubscribed Share Purchase Plan and acknowledges shareholder feedback received on the merits of a significantly higher rights issue component in future capital raising initiatives.

The outlook for the automotive sector remains positive providing growing opportunities for finance, insurance and vehicle servicing for the Turners Automotive Group of companies. In particular, the focus for the second half of the year remains on expanding Turners' retail presence in both cars and Trucks & Machinery; developing a bundled approach to finance and insurance; and building on existing capability to offer servicing and maintenance.

The company is on track to deliver a Net Profit Before Tax of between \$29 million and \$31 million for the full year to 31 March 2018. This would represent an 18% to 26% increase on FY17, or 10% to 14% excluding acquisitions.

Turners is well positioned to keep delivering profit growth for shareholders into the future.

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About Turners

Turners Automotive Group Limited is an integrated financial services group, primarily operating in the automotive sector www.turnersautogroup.co.nz.

For further information, please contact;

Todd Hunter, Chief Executive Officer, Turners Automotive Group Limited Mob: 021 722 818

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