

# HY21 Results Presentation

For the six months ending  
30 September 2021

**Turners.**  
Automotive Group



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- II. The occurrence of catastrophic events with a frequency or severity exceeding our estimates;
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# Agenda

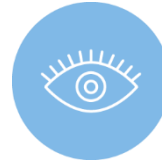
- 1. HY21 Results**
- 2. Segment results**
- 3. The business in context**
- 4. FY21 Focus + outlook**

# HY21 Results overview



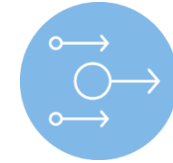
## Financials

- NPBT \$18.7m +26%
- NPAT \$13.4m +25%
- Underlying NPBT \$13.1m – 11%
- Revenue \$147.5m -14%
- Q2 dividend declared at 4.0 cps
- Earnings per share 15.7cps +27%



## Key Drivers for HY21

- Effectively a 5-month trading period in HY21 due to lockdown
- Used vehicle supply constrained due to “new car” supply chain issues
- Consumer demand returned faster and harder than expected for vehicles
- Car prices have risen steadily since May off the back of reduced supply
- **Consumers have been focused on meeting loan commitments**



## Q3 Update

- **Auto retail:** demand better than expected and margin improvement on owned inventory
- **Finance:** new lending strong and arrears at historic lows
- **Insurance:** new policy sales strong, claims ratios improving
- **Credit:** debt load down as corporate customers manage reputation risk during Covid-19

# 1 HY21 Results

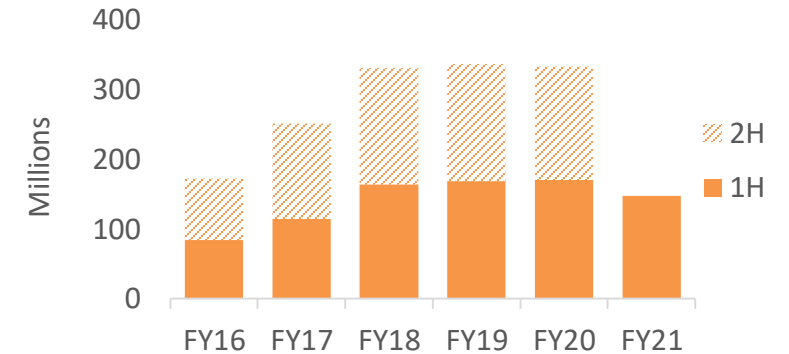


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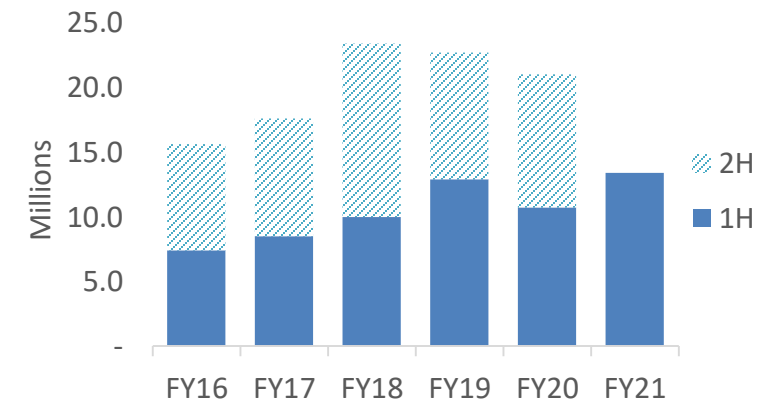
# HY21 Results snapshot

Revenue <b>\$147.5m -14%</b>	Shareholders' Equity <b>\$231m as at 30 Sept 20</b>
Underlying Net Profit Before Tax <b>\$13.1m -11%</b>	Q2 Dividend 4.0 cps <b>Projected FY Div 17.0cps</b>
Net Profit Before Tax <b>\$18.7m +26%</b>	H1 Earnings Per Share <b>15.7cps</b> <b>(HY20 12.4cps, +27%)</b>
Net Profit After Tax <b>\$13.4m +25%</b>	

Revenue

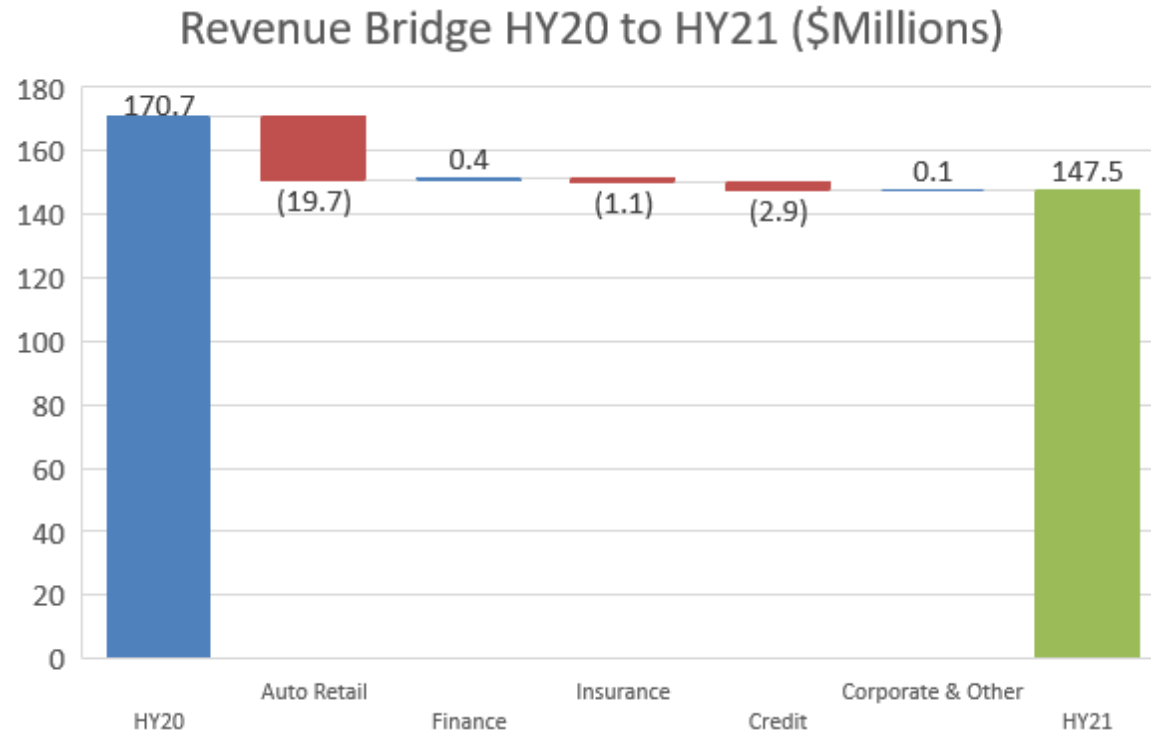


Net profit after tax



# HY20: HY21 Revenue bridge

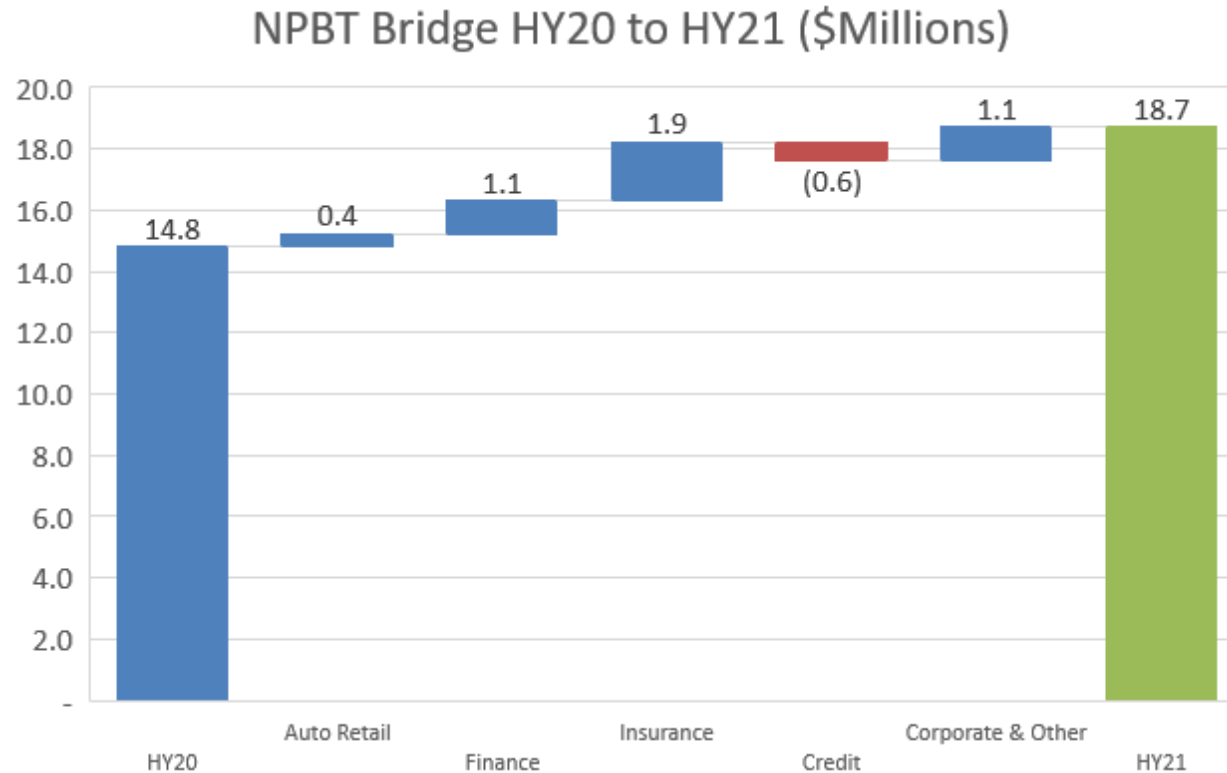
Revenue decreased from \$171m to \$148m



- Revenue reflects material impact of L4 /L3 lockdown in April & May impacting Auto Retail, Finance and Insurance sales
- NZ used car market has recovered since lockdown however due to new car supply constraints supply is limited
- Finance book reflects better quality business written at lower interest rates
- Credit management revenue impacted by lack of debt load from major banks as they managed reputational risk

# HY20: HY21 Net profit before tax (NPBT) bridge

NPBT increased from \$14.8m to \$18.7m



- Auto Retail result underpinned by stronger commercial business and improved margins on owned inventory
- Finance driven by writing higher quality new business and the resulting improved arrears performance
- Insurance result reflects improvement in claims ratios and cost base
- Cost of funding reductions reflected in corporate cost line
- Trading post September has continued to be at levels ahead of FY20



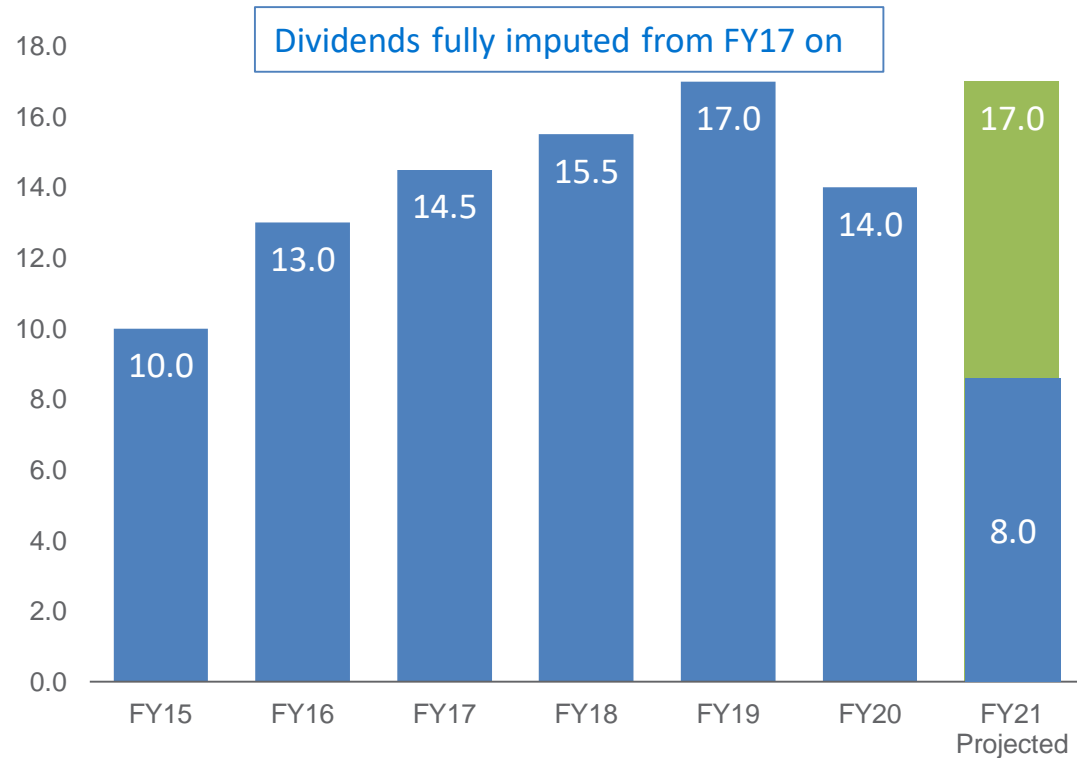
# Reconciliation: NPBT to underlying NPBT

\$Millions	HY21	HY20	Var
<b>Profit before tax actual</b>	<b>18.7</b>	<b>14.8</b>	<b>26%</b>
Oxford strategic review costs	-	0.2	
Property exit and lease adjustments	(0.6)	(0.2)	
Rent relief	(0.7)		
NZ Government Covid Support	(5.1)	-	
Employee restructure costs	0.8		
<b>Underlying operating result</b>	<b>13.1</b>	<b>14.8</b>	<b>-11%</b>

- HY21 reflects a 5 month “effective” trading period, on a like for like basis this would be circa 6% ahead of H120.
- Property adjustment includes IFRS 16 adjustment of \$1.9m benefit offset by property exit costs of \$1.3m
- A number of properties have been exited as part of our retail optimisation and cost management plan
- Overall restructure costs relating to people and property will reduce FY22 fixed cost base by \$4m+
- Operating profit results for each month June to October have tracked well ahead of same month for FY20

# Dividend Payments and Policy

Earnings and Dividend per Share (Cents)



- Q2-21 dividend declared at 4.0 cents per share fully imputed, bringing declared dividends for FY21 to 8.0 cps
- FY21 Projected dividend at mid-point of NPBT guidance (\$29.5m) is 17.0cps
- 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
- Gross dividend yield of 7.3%\* at indicative price of \$2.65 as at 20/11/20...(includes imputation credits)

*\* Source: NZX. Based on rolling 12 month gross div (net div + imps) divided by share price at 20 November 2020.*

# Balance sheet

\$Millions	HY21	HY20
Cash and cash equivalents	18.9	14.6
Financial assets at fair value	65.1	63.4
Inventory	29.8	36.5
Finance receivables	300.7	285.7
Property, plant and equipment	53.6	52.6
Other Assets	28.4	37.8
Right of use asset	22.7	26.8
Intangible assets	166.6	166.6
<b>Total Assets</b>	<b>685.8</b>	<b>684.0</b>
Borrowings	314.4	319.6
Other payables	35.8	35.0
Deferred tax	9.8	11.1
Insurance contract liabilities	51.5	51.9
Lease liabilities	28.0	34.6
Other Liabilities	14.9	11.7
<b>Total Liabilities</b>	<b>454.4</b>	<b>463.9</b>

- Reduction in inventory value reflects reduced availability of Japanese imports
- Increase in Finance Receivables reflects growth in Oxford offset by rundown in MTF funded receivables
- Property, plant and equipment increase due to development of new sites in Auckland.
- Slight reduction in borrowings due to pay down of corporate debt

# Funding mix

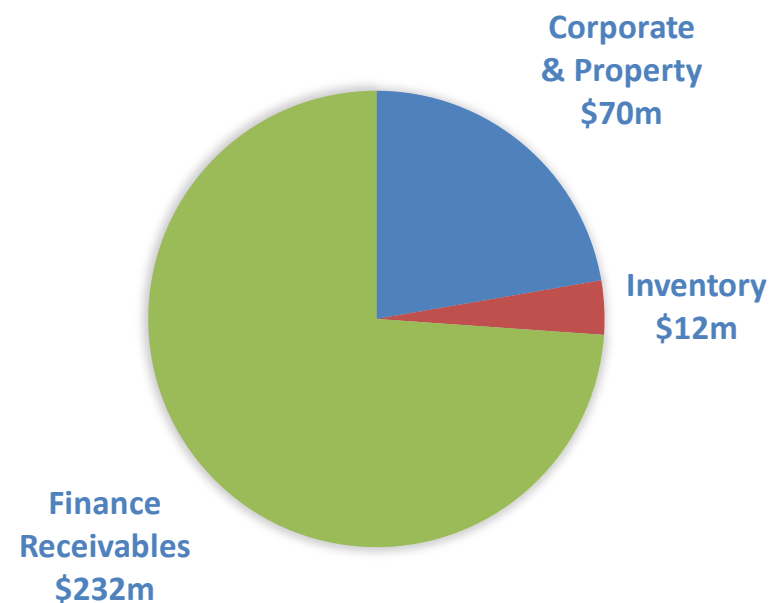
## Borrowings

\$Millions	Limit	Drawn	Undrawn
Receivables – Securitisation (BNZ)	230	182	48
Receivables – Banking Syndicate (ASB/BNZ)	60	43	17
Receivables – MTF	7	7	-
Corporate & Property (incl Bond)	95	70	25
Inventory (ASB)	30	12	18
<b>Totals</b>	<b>422</b>	<b>314</b>	<b>108</b>

- Total borrowings down by \$5m since Sept 19 due to \$13m reduction in corporate debt, partially offset by growth in finance receivables funding
- Securitisation funding facility limit at \$250m (including capital contribution from TRA), expect to extend this facility further in Q3 FY21

## Borrowings by Utilisation (\$Millions)

As at 30 September 2020



# 2 Segment Results



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## HY21 by segment

\$Millions	Automotive Retail		Finance		Insurance		Credit	
Revenue	96.1	(17%)	23.2	2%	21.1	(5%)	7.0	(29%)
Segment Profit	7.8	6%	7.6	18%	4.5	74%	3.0	(17%)

# HY21 by segment



## Auto retail

- Covid recovery and cost management
- Margin improvement through supply initiatives and supply constraints
- Continued optimisation for retail eg. new sites in Westgate, Dunedin



## Finance

- Finance continued focus on targeting high quality borrowers, attracting 50%+ of new lending in premium risk business
- Continue to make investments in digital and system integration



## Insurance

- Good progress in building out distribution
- Claims ratios continue to improve



## Credit/management

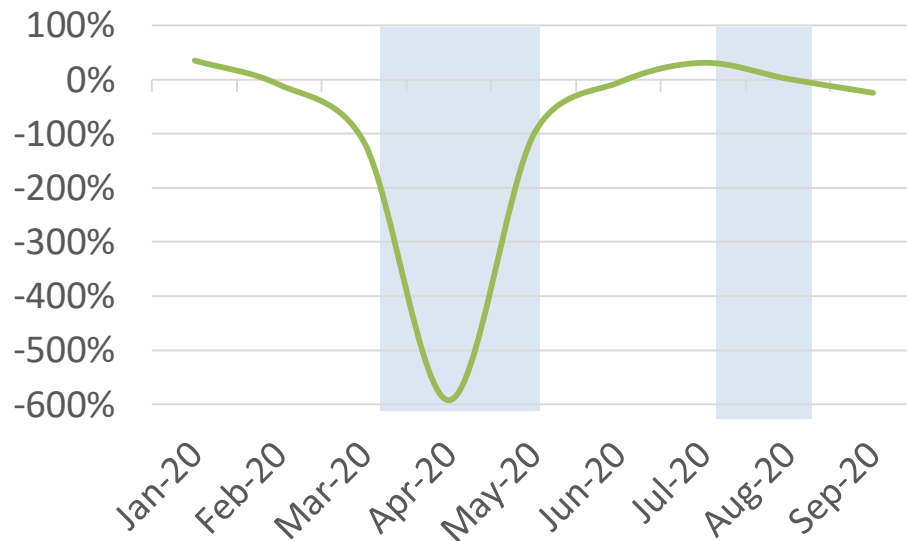
- Manage cost base in reduced debt load environment
- SME focus: integrated with key systems (eg. Xero / MYOB)



# Automotive retail

Revenue 96.1m -17%, Segment Profit \$7.8m +6%

**Auto Retail Operating Profit\*:  
Change vs pcp (%)**



\* Auto Retail Operating Profit (excl wage subsidy)

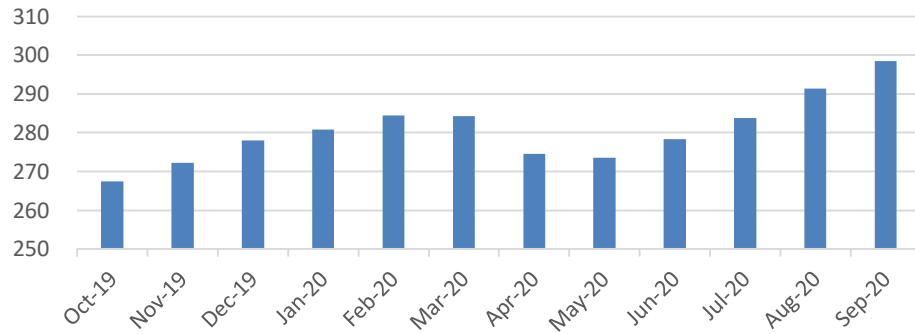
- Margins on “owned” fleet has increased in Q2 due to a number of buying improvement initiatives and tight supply of used cars nationally.
- Diversified sources of supply a real strength. Competitive advantage to not rely on imported cars, which is suffering from Covid related supply issues.
- Inventory levels holding at levels 30% lower than peak at beginning of April. Sales volumes down due to reduced levels of inventory, partly offset by margin strength.
- Significant improvement in commercial business year on year.



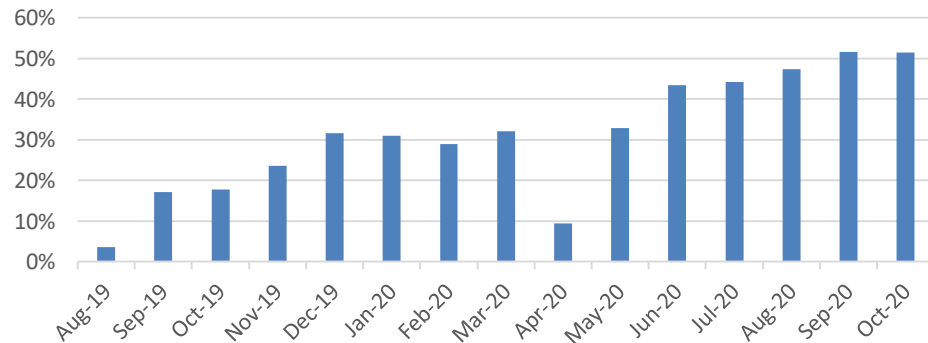
# Finance

Revenue \$23.2m +2%, Segment Profit \$7.6m +18%

## Receivables growth since FY20 month by month



## Premium Risk Tier % of Consumer Lending

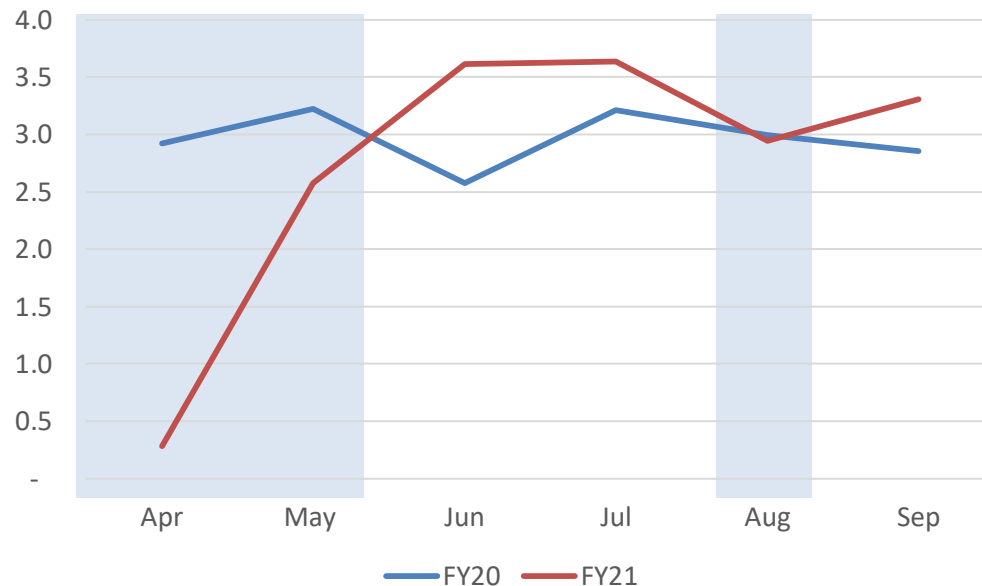


- Improvement continues for volume, margin and risk
- Post lockdown lending very strong with Q2 up 32% on Q2 FY20
- Premium Tier business growing strongly and accounts for 50%+ of our new business per month
- Arrears continue to track down at historic low levels, with a material buffer in arrears provisioning to allow for any unemployment increase
- Less than 70 customers (or 0.29%) in hardship status

# Insurance

Revenue \$21.1m -5%, Segment Profit \$4.5m +74%

## Gross Written Premium FY21 v FY20 (\$000s)

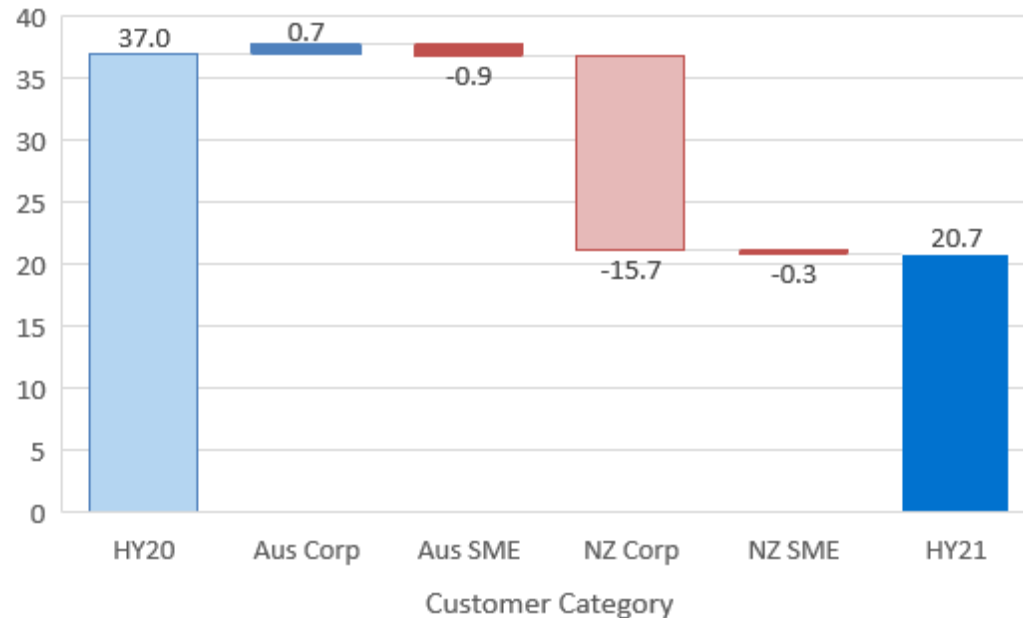


- Policy sales rebounded strongly, in-line with used car market
- Claims loss ratios continue to improve (due to better underwriting, less movement in lockdown)
- Good growth in distribution and pipeline of opportunities
- New portfolio management system providing product and pricing agility
- AM Best upgraded credit rating for Insurance. Financial strength rating improving to B++ (good).

# Credit management

Revenue \$7.0m -29% Segment Profit \$3.0m -17%

**Debt Collected HY20 to HY21 (\$000s)**



- Total debt load down 58% to \$56m, mainly due to large NZ corporate customers pulling back on collections actions during Covid-19 to manage reputational risk
- Debt load from major banks and government departments has started to re-initiate in October
- Debt collected down 44% to \$21m meaning conversion rates have improved
- Payment arrangement commitments meet up to 78% (73% H1 FY20)

# 3 The business in context

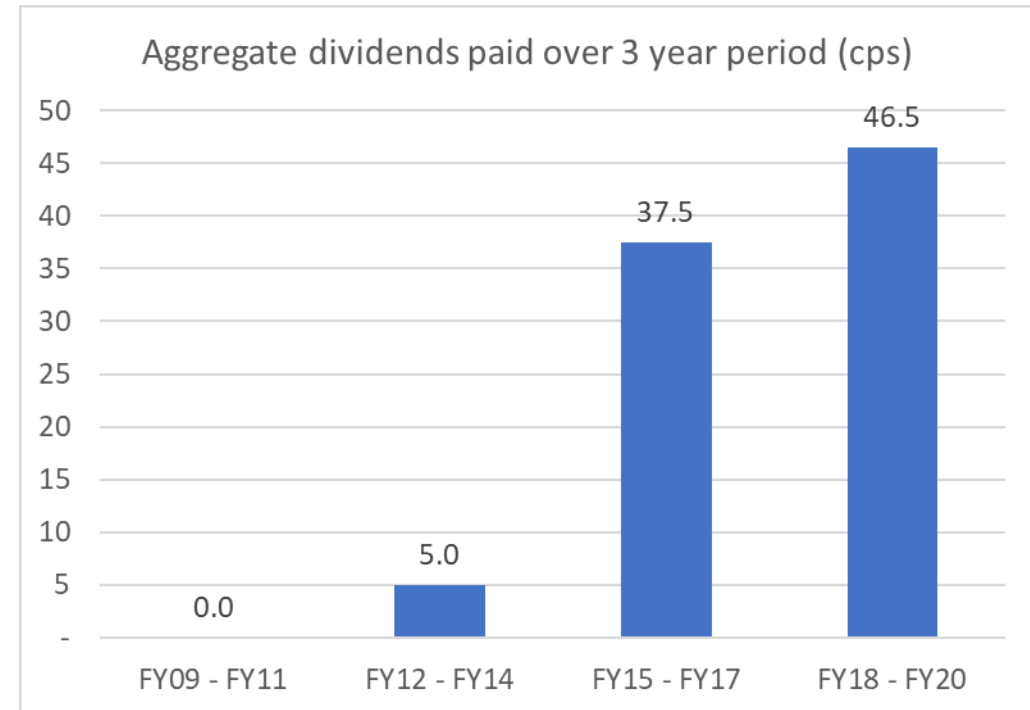
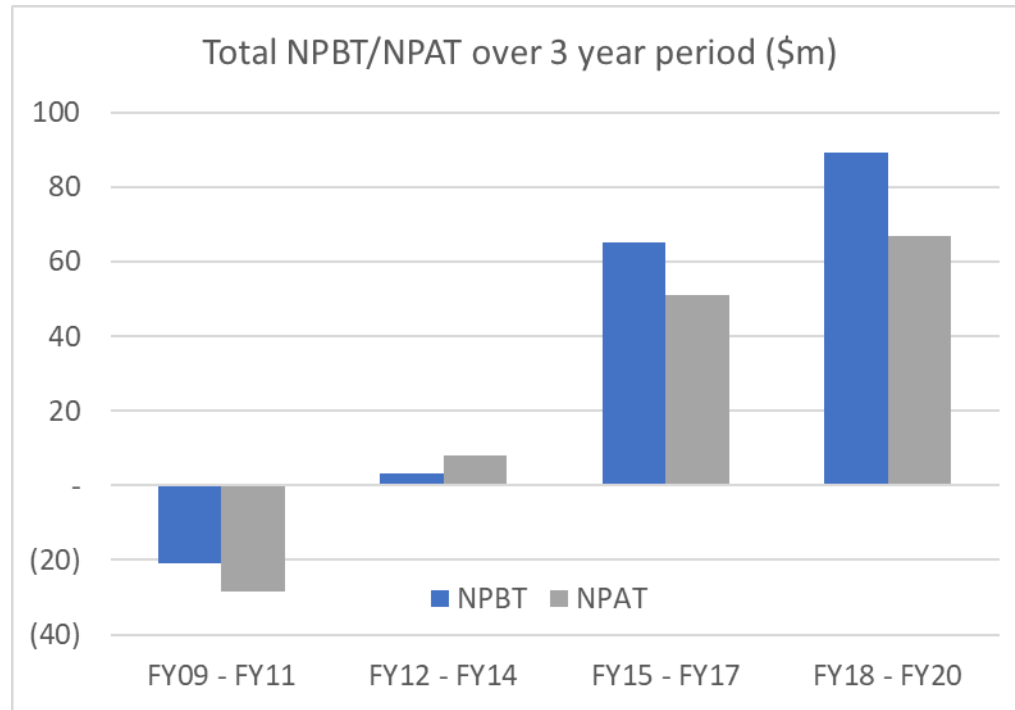
The logo for Turners Automotive Group is located in a white circle on the right side of the slide. It features the word "Turners." in a bold, dark blue font, with a period at the end. Below it, the words "Automotive Group" are written in a smaller, lighter blue font.

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# Building quality ...

# Quality of earnings and dividends

TRA has a dividend yield of 7.3% the NZX\*



\* Source: NZX; Based on rolling 12 month gross div (net div + imps) divided by share price at 20 November 2020.

# Businesses are well positioned for the “new norm”



## Auto Retail

- Used cars have demonstrated resilience
- Geographical diversification
- Diversified sources of supply
- High trust brand



## Insurance

- Annuity earnings helpful in lockdown
- Premium taken up front
- Improving technology and distribution
- Using a portion of capital reserves to build property portfolio used in Auto Retail



## Finance

- Annuity earnings helpful in lockdown
- Arrears proven to be robust
- De-risking strategy working well



## Credit/Management

- Payment bank stickier than expected
- Counter-cyclical, defensive
- Strong relationships from debt loaders

# Resilient and well placed for an uncertain environment

COVID was a stress-test, but we exceeded expectations

1. Used car market is resilient
2. Diversified business
3. High “trust” brands
4. Digital is a competitive advantage
5. Strong and sustainable yield



# 4 FY21 Focus + Outlook

The logo for Turners Automotive Group is a white circle containing the text "Turners." in a bold, sans-serif font, with "Automotive Group" in a smaller, lighter font below it. The background of the slide features a blue sky and a blue SUV parked on a sandy beach with waves in the background.

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# Our focus for FY21 - by business



## Auto Retail

- Stock acquisition
- 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 through data driven risk pricing
- 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
- Continue to enhance risk pricing



## Credit/Management

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



# FY21 outlook

The business has demonstrated strong levels of resilience despite lockdowns in April, May and August.

The business has positive momentum and current trading provides optimism heading into 2H21....

- **Guidance given at ASM in September that FY21 NPBT to be in the range of \$28m to \$31m.**  
Guidance reaffirmed, but assuming trading continues at current levels for the remainder of FY21 NPBT will be towards the upper end of the guidance range.
- **FY21 Q2 dividend declared at 4.0 cps, taking HY21 dividends declared to 8.0 cps.**
- **Projected FY21 dividend to be 17.0 cps (fully imputed), based on dividend policy to pay out 60-70% of net profit after tax (NPAT).**
- *(All guidance is subject to any significant lockdowns occurring.)*

# Questions



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# Contact

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