HY24 Results Presentation

For the six months ending 30 September 2023

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IV. Uncertainties relating to government and regulatory policies;

V. The occurrence of catastrophic events with a frequency or severity exceeding our estimates;

VI. The legal environment;

VII. Loss of services of any of the company’s officers;

VIII. General economic conditions; and

IX. 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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Agenda

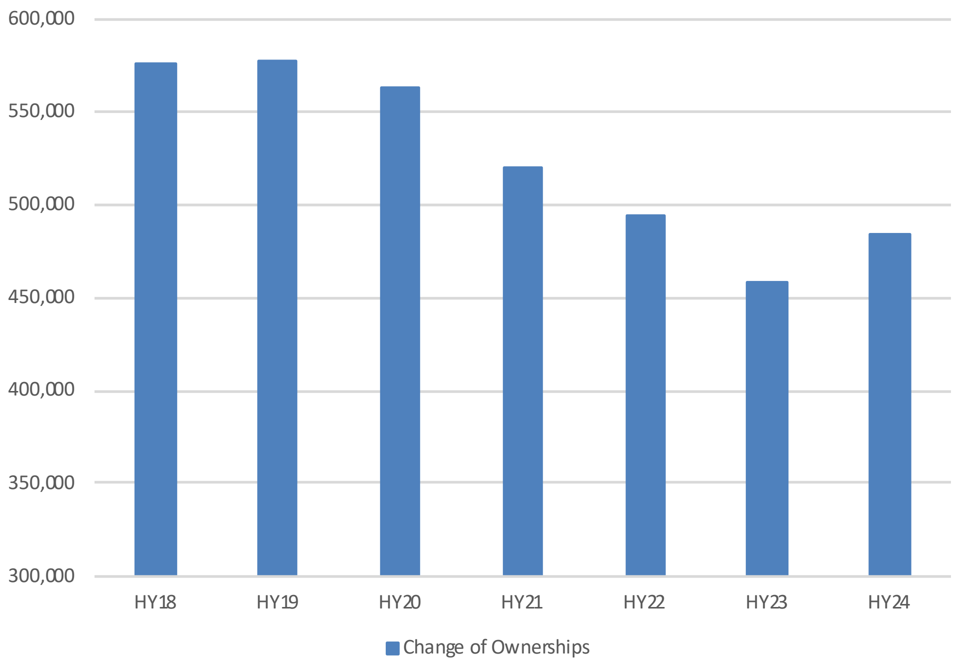
1 Overview of HY24

Key highlights:
Turners continues to grow earnings despite macro challenges…

1. Record net profit before tax of $25.7M for HY24, 10% ahead of HY23 ($23.4M NPBT) despite a challenging macro environment
2. Reaffirm guidance from Oct-23 that after a strong H1 our FY24 result will be ahead of record FY23 result and forecasted dividend at this level of profit will be at least 24 cents per share (+4%).
3. Despite the macro context, the resilience and diversification of the group continue to deliver robust earnings and consistent dividends for Turners' shareholders. Q1 dividend paid at 6.0 cps and Q2 declared at 6.0 cps (both fully imputed).
4. The wider NZ used car market is up 6% year to date (Apr to Sept) however this is skewed by a large number of used imports being pre-registered in June-23 in advance of changes to the Clean car Discount program.
5. 3 out of 4 business divisions (Auto Retail, Insurance and Credit Management) are well ahead of prior year profit contributions with stand out performance from Auto Retail division growing volume and market share in used car segment. Finance has experienced significant headwinds from rising interest rates, but expect to see interest rates become a tailwind in due course.
6. Turners' Auto Retail network expansion, highly effective marketing and vehicle sourcing strategy continues to drive growth for the business and offset the impact of the interest rate headwinds being experienced by Oxford Finance.
7. Continued high levels of employee engagement being super charged with high take up of employee share scheme.

NZ used car market off the bottom

NZ used car transaction volumes (Apr to Sep)

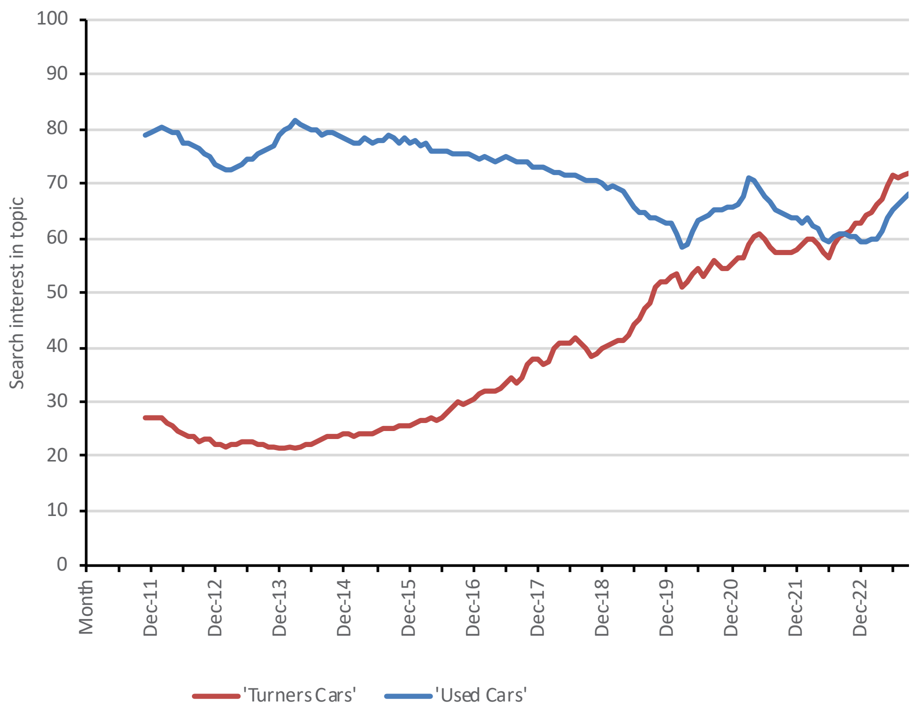


Source: NZTA Total Change of Ownerships for Used Vehicles in NZ by HY

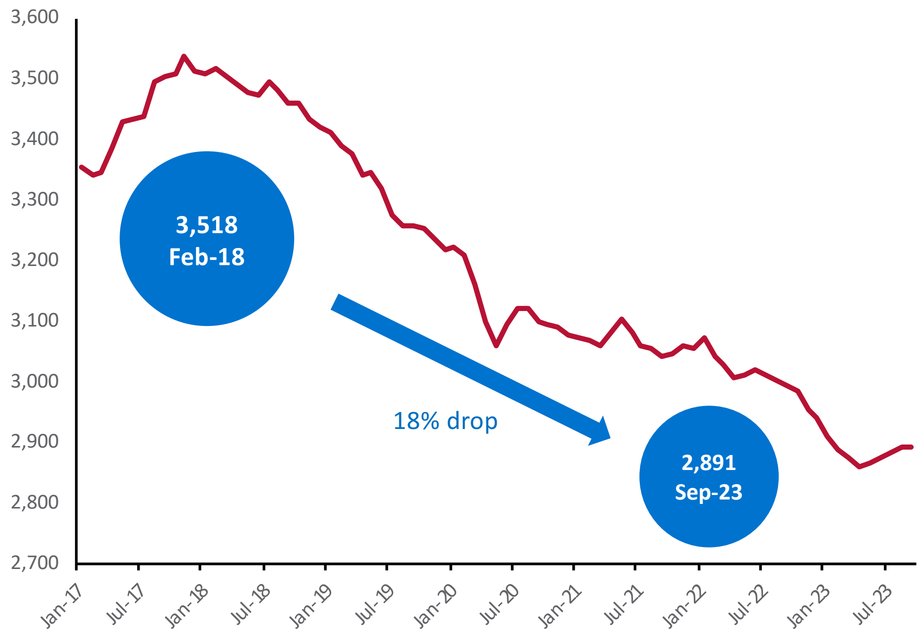
- Transaction levels continue to track well behind pre-Covid levels due to rising interest rates, and increased government regulation.
- Used car Change of Ownership transactions up 6% from April to September.
- Further change expected to Clean Car Discount program with new government, with National calling for the scheme to be scrapped.
- Demand for higher value cars continues to moderate and also strengthen at lower price point segments.

Turners digital strategy working and dealer numbers dropping

Google search terms used cars v Turners cars



Registered dealer numbers NZ (source MBIE)



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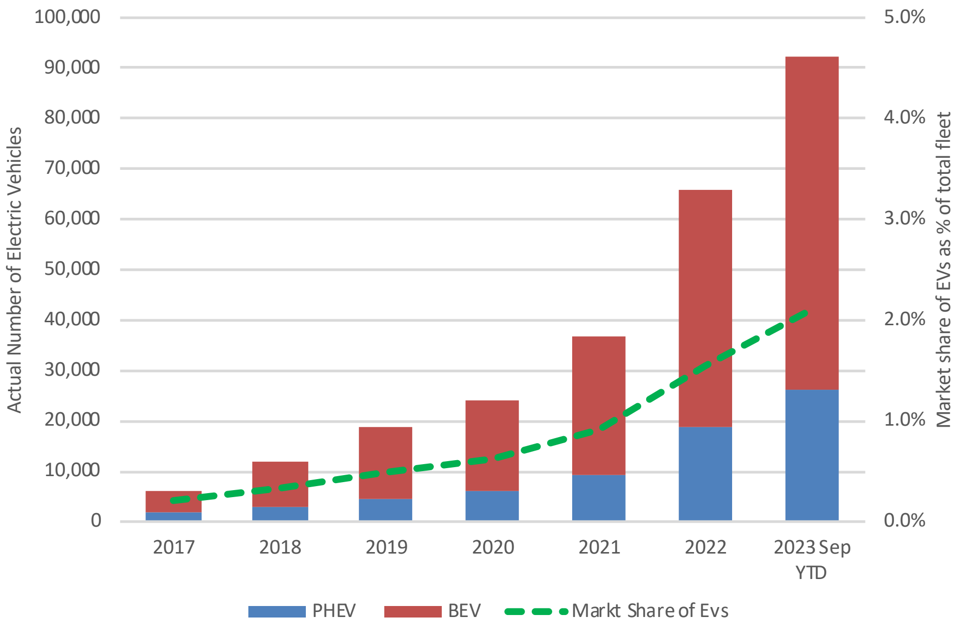
Turners supporting the transition of the NZ fleet

~92k EVs are registered in NZ out of a total light vehicle fleet of ~4.4M cars

Total number of BEVs and PHEVs in NZ vehicle fleet



9%

of total cars sold by Turners in Sept-23 were Hybrid or EV powered

123

Grams/km of C02 emissions
a 39% reduction for cars imported by Turners from 2019 to 2023

Source: TE MANATŪ WAKA MINISTRY OF TRANSPORT

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HY24 and Q3 Summary

Financials

- Revenue $214.2M +16%
- EBIT $30.2M +16%
- NPBT $25.7M +10%
- NPAT $18.5M +8%
- Q2 dividend declared at 6.0 cps
- Earnings per share 21.2 cps +7%

Key Drivers for HY24

- **Auto Retail** revenue grew strongly due to increased volume, margins and finance attach
- Continued sales growth for damaged and end of life vehicle units
- **Finance** Interest rate environment continues to negatively impacting finance net interest margin but margins have stabilised.
- Finance arrears performing significantly better than market levels.
- **Earnings diversification** and resilience of business demonstrated in a challenging economic environment.

Q3 Update

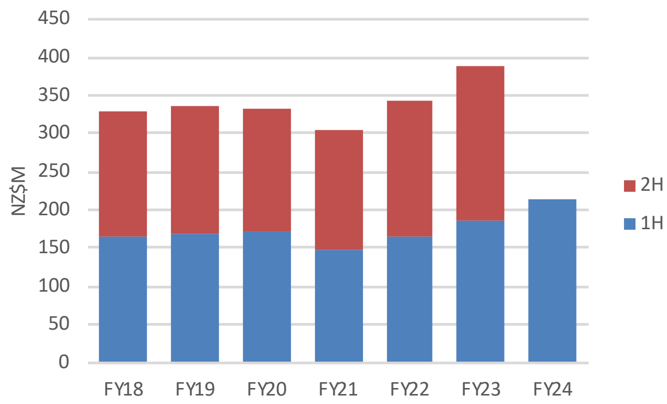
- **Auto Retail:** Volumes and margins holding up well in car sales. Damaged vehicle volumes still strong.
- **Finance:** Economic environment reducing SME's cash buffer for shock events. Expect arrears to increase if unemployment rate lifts.
- **Insurance:** Claims continue to track below expectations, improving investment returns
- **Credit:** Corporate debt load recovering slower than expected, but SME debt load increasing quickly. NZ Credit metrics continue to deteriorate.

2 HY24 Financial Performance

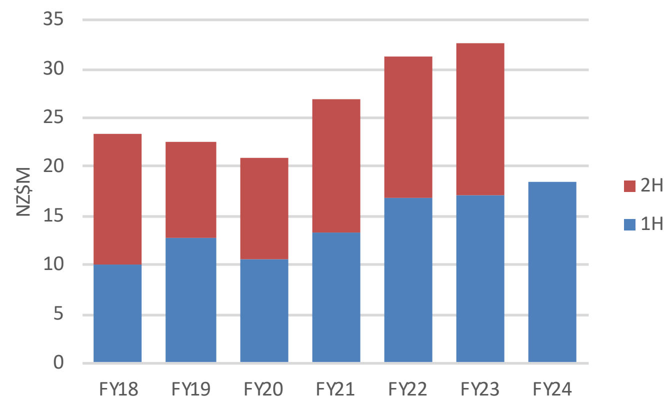
HY24 Results snapshot

Revenue **$214.2M** +16%	Shareholders' Equity **$279.6M as at 30 Sept 2023**
EBIT **$30.2M** +16%	Q2 Fully Imputed Dividend 6.0 cps **Projected FY fully imputed Div of at least 24.0cps**
Net Profit Before Tax **$25.7M** +10%	H1 Earnings Per Share **21.2 cps** **(HY23 19.8 cps,** +7%**)**
Net Profit After Tax **$18.5M** +8%	

Revenue



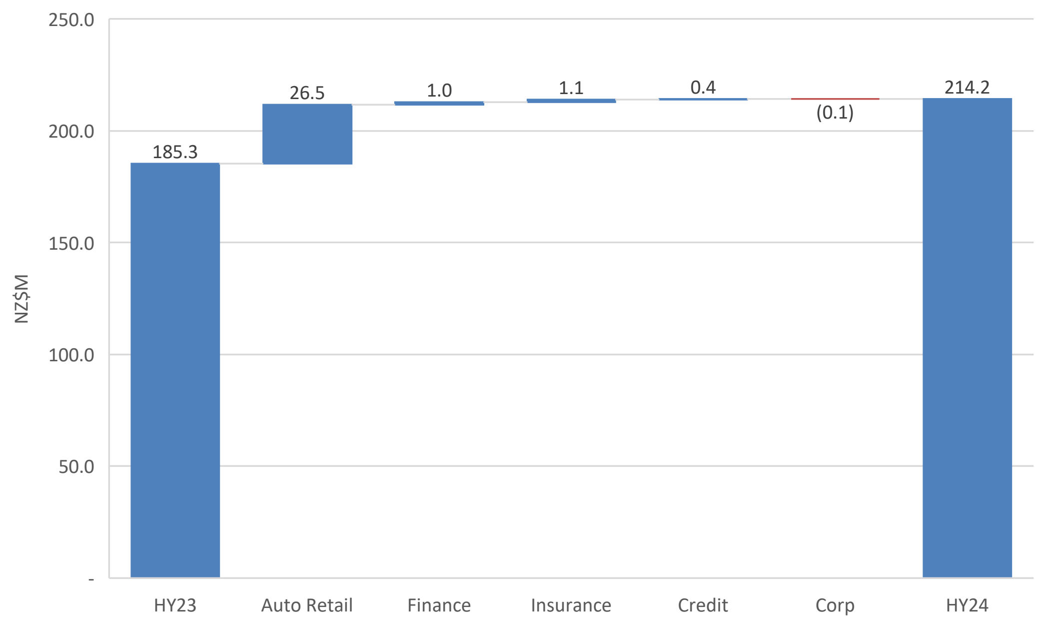
Net profit after tax



HY23: HY24 Revenue bridge

16% increase in revenue, predominantly driven by Auto Retail

Revenue bridge HY23 to HY24

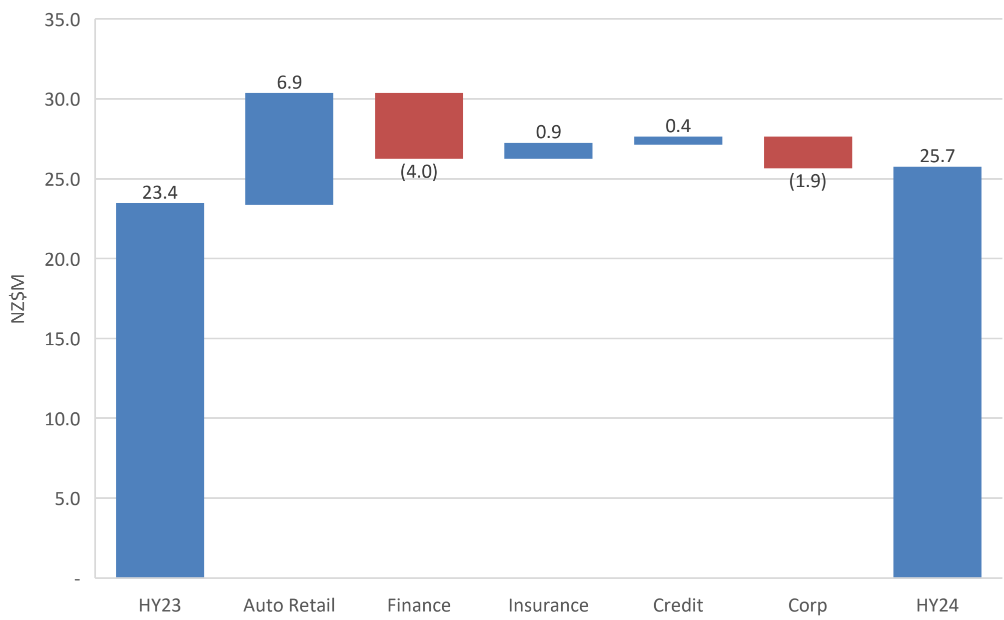


- **Revenue growth in Auto Retail** reflects overall increase in car units sold (both “owned” and consignment units), and increase in Damaged and End of Life vehicles sold.
- **Finance** revenue growth reflects repricing strategy
- **Insurance** revenue gains from higher levels of policy sales and repricing.
- **Credit management** revenue increasing off higher levels of debt loaded

HY23: HY24 Net profit before tax (NPBT) bridge

NPBT increased from $23.4M to $25.7M, up 10%

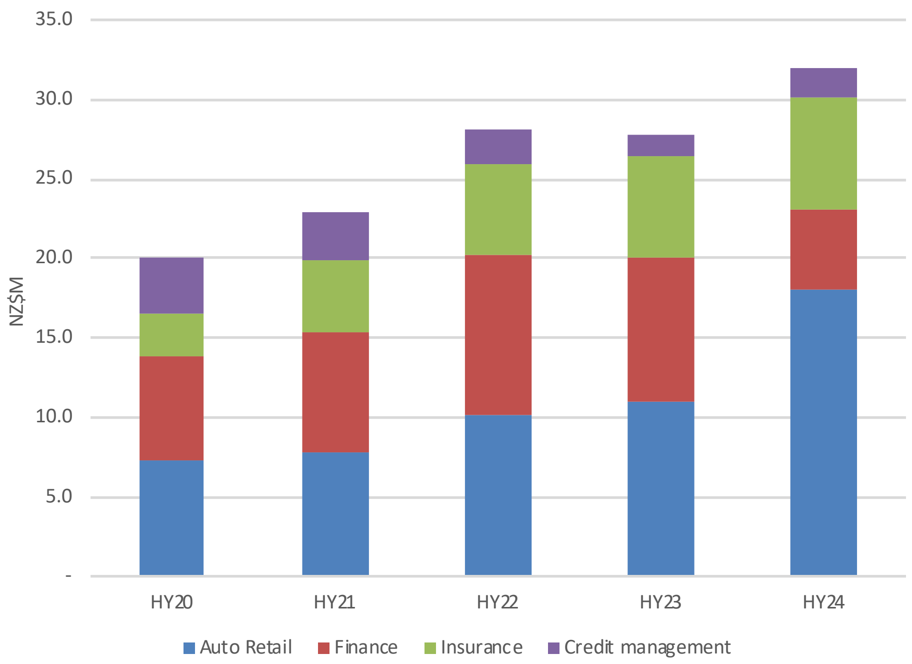
NPBT Bridge HY23 to HY24



- **Auto Retail** result underpinned by growth in car units sold, improved finance attach and higher numbers of damaged vehicle units. Market share gains and new branch growth will lock these gains in.
- **Finance** impact of rising interest costs.
- **Insurance** result reflects improvement in investment returns and continued efficiencies in claims.
- **Credit** performance improvement from increasing levels of debt load as economy goes under pressure.
- **Corporate** cost up off back off higher interest rates.

The business has a diverse and resilient earnings base

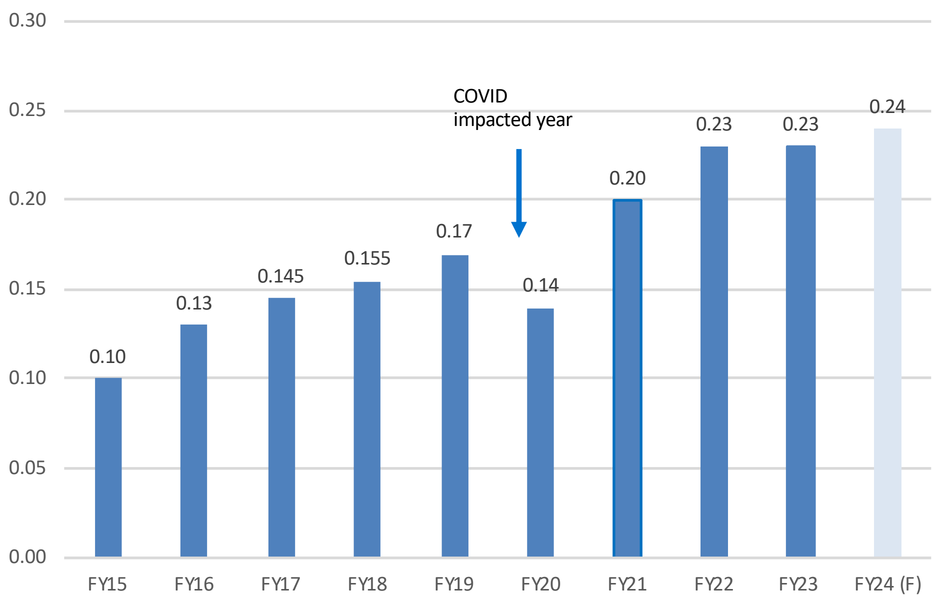
Operating profit contribution by segment



- Super growth from **Auto Retail** division which makes up ~56% of group profits.
- **Finance** continues to be materially impacted by the fastest ever tightening cycle in interest rates, however we have seen margins stabilise and expect interest rates to become a tail wind once the easing cycle begins.
- **Insurance** is consistently growing through more policy sales, better risk pricing and the benefit of increasing interest rates on investment returns.
- The mix of activity and annuity businesses provides the earnings diversification to protect earnings stability during difficult times.

Growing dividends for almost a decade

Dividend per share ($)



Note - Dividends fully imputed from FY17 onwards

- Proven track record of delivering consistency and growth in dividends.
- Dividend payout ratio is 60-70% of NPAT.
- Quarterly dividend payments
- Q1 fully imputed dividend declared at 6.0 cps paid on the 27th Oct.
- Based on the projected "at least" 24.0 cents per share dividend and a share price of $4.25 this is a gross yield of 7.8% pa.
- Dividend Reinvestment Plan (DRP) will continue.

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Robust balance sheet

NZ$M	HY24	HY23
Cash and cash equivalents	12.6	17.7
Financial assets at fair value	67.5	66.2
Inventory	23.8	26.2
Finance receivables	420.9	443.1
Property, plant and equipment	109.1	74.2
Other Assets	34.8	33.0
Right of use asset	20.8	24.6
Intangible assets	163.4	164.4
Total Assets	**852.9**	**849.4**
Borrowings	417.4	430.8
Trade & other payables	49.2	42.4
Deferred tax	12.1	12.7
Insurance contract liabilities	58.1	56.5
Lease liabilities	25.6	30.1
Other Liabilities	10.8	11.9
Total Liabilities	**573.2**	**584.4**

- **Inventory** levels are down due to faster stock turn and a deliberate strategy to acquire lower priced cars to reflect where demand in the market is. Units in stock have increased slightly to 3,103 up 1% despite overall stock value being down 9%.
- **Finance receivables** have reduced from Sep-22 high point due to our deliberate strategy to prioritise quality and margin over loan book growth.
- **Property, plant and equipment** increase due to acquisition and development of new sites in Timaru and Napier.
- **Borrowings** have mirrored the reduction in finance receivables.

Funding mix optimised to support growth

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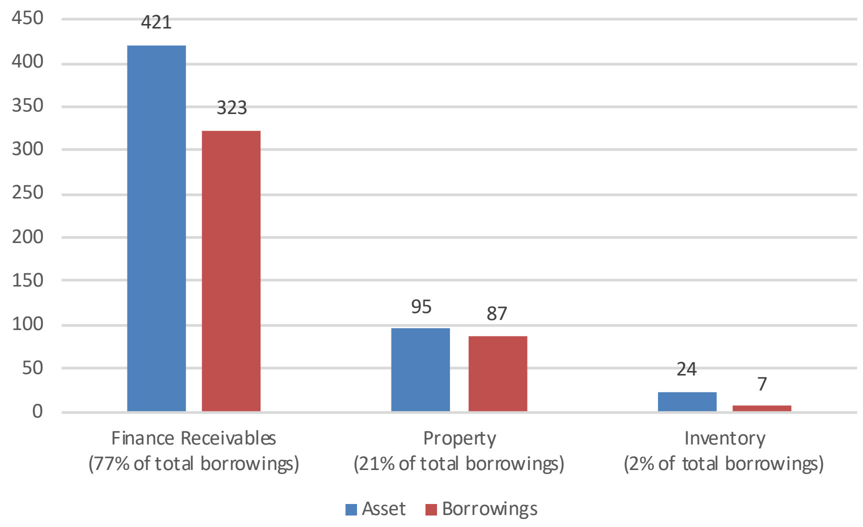
Borrowings

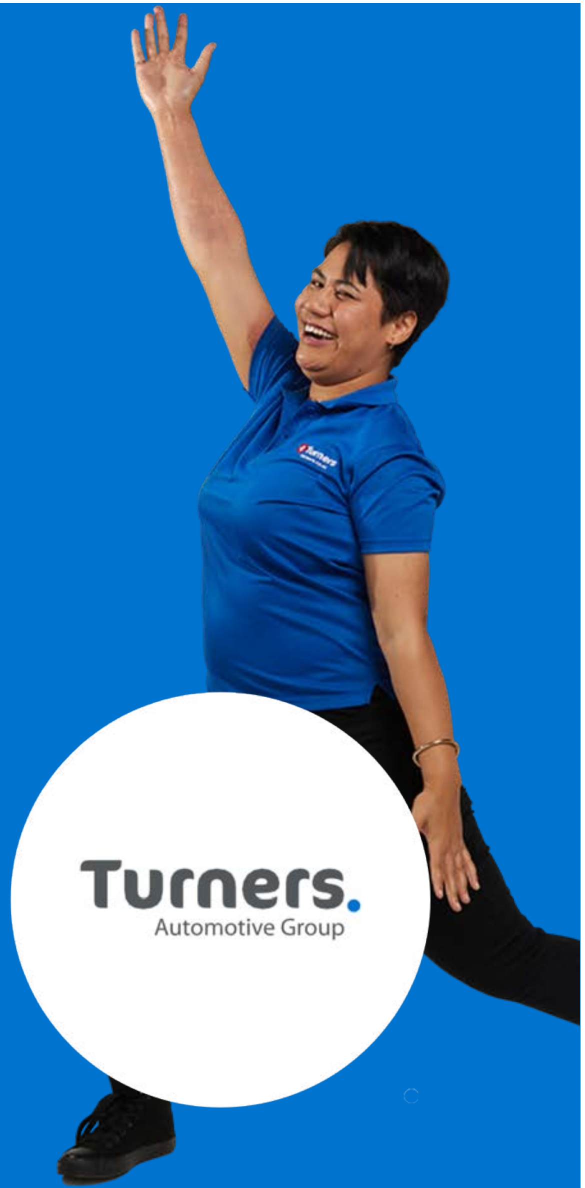
(NZ$M)	Limit	Drawn
Receivables – Securitisation Trusts	351	281
Receivables – Banking Syndicate (ASB/BNZ)	50	42
Less Cash		(8)
Net Receivables Funding	401	315
Receivables Funding Capacity		78
Corporate & Property	110	87
Working Capital (ASB & BNZ)	30	8
Less Cash		(7)
Net Corporate Borrowings	140	88
Corporate Funding Capacity		**45**

Borrowings by asset class (NZ$M)



- Inventory funding broadened to provide flexibility for local purchasing as well as imports.
- New securitisation warehouse created for new funders ($100M), Fitch AAA rating achieved as part of transaction process
- Oxford capacity expected to support lending over the next 12 months.
- Corporate funding capacity sufficient to support committed branch expansion plans in Auto Retail.

3 Segment Results



HY24 by segment

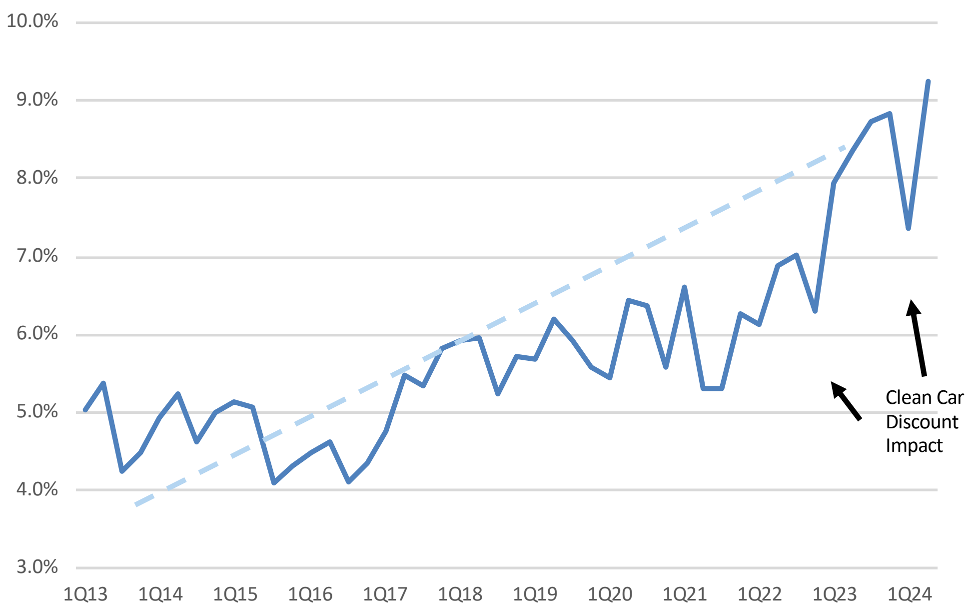
NZ$M	Automotive Retail		Finance		Insurance		Credit	
Revenue	156.1	+20%	30.2	+3%	22.7	+5%	5.3	8%
Segment Profit	18.0	+62%	5.1	(44%)	7.1	+14%	1.8	29%

Note – HY24 reported NPBT of $25.7M includes corporate costs of $6.3M

Automotive Retail

Revenue 156.1M +20%, Segment Profit $18.0M +62%

Turners retail market share % (Quarterly)

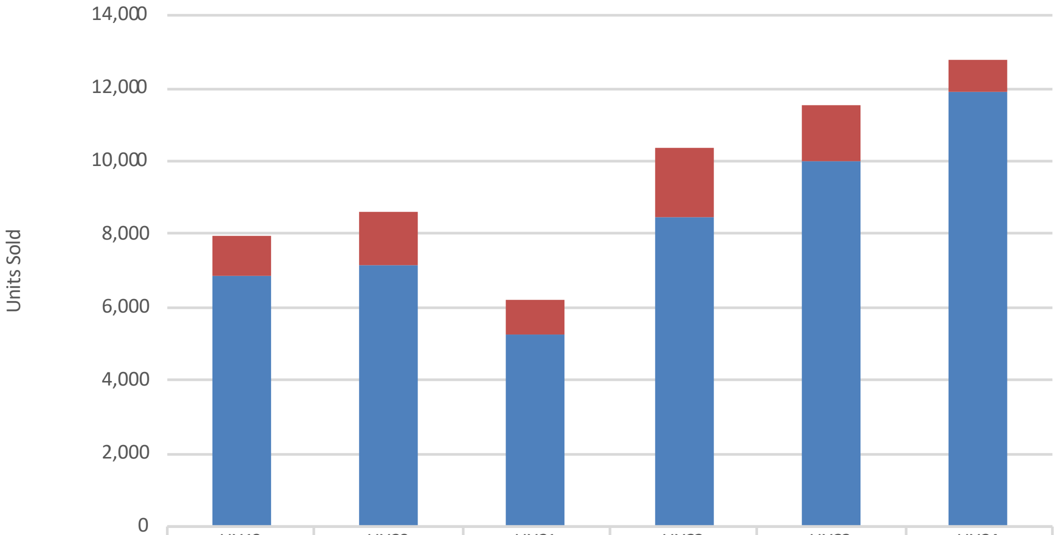


Source – NZTA Dealer to Public Registrations + Ex-Overseas Registrations

- Market share has continued to improve subject to high levels of pre-registered used imports when Clean car Discount changes made in June.
- Retail (BuyNow) unit sales up 8% to ~10,100, wholesale auction unit sales up 4% to ~9,800 units.
- Total "owned" units sold in HY24 up 10% over HY23, overall margin on cars we own is up 66% for HY24.
- Demand for lower priced stock is holding up and business continues to reposition inventory.
- HY24 finance attach rates have improved to 34% up from 32% in HY23.
- Damaged vehicle unit sales up 31% from tail end of weather events in Q4 FY23 and continued growth in old fleet reaching end of life status

Agile sourcing strategy driving additional sales

Average margin1 ($) and units of "owned" cars sold



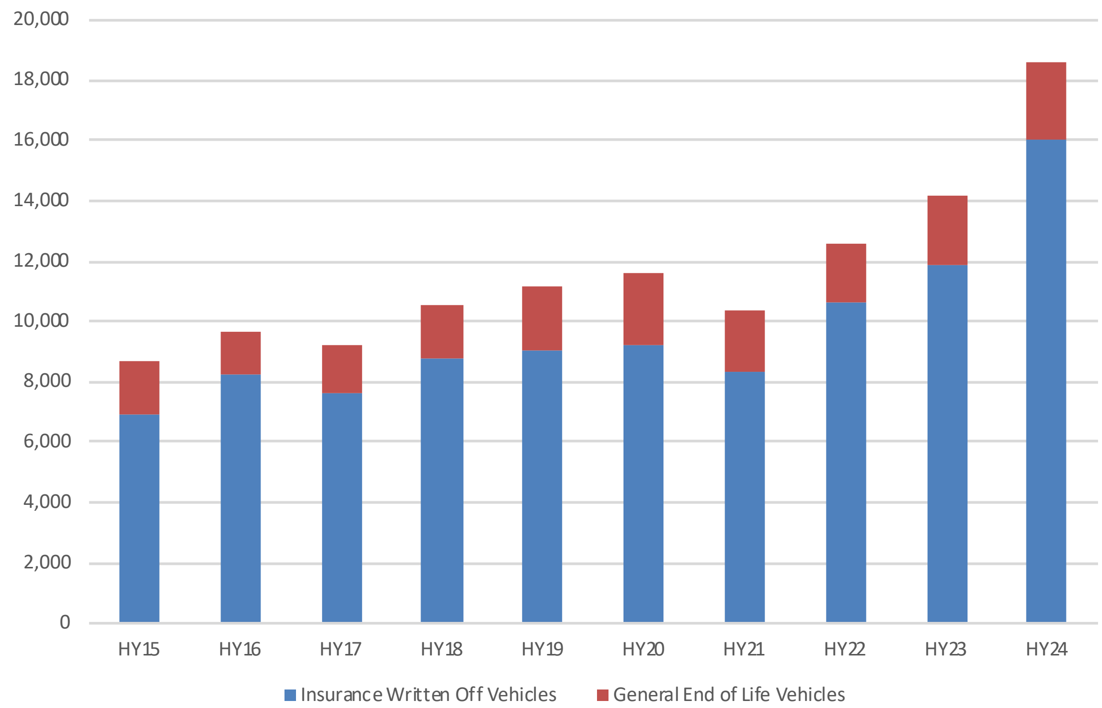
	HY19	HY20	HY21	HY22	HY23	HY24
Import Units Sold	1,143	1,443	951	1,915	1,530	859
Local Units Sold	6,847	7,167	5,290	8,443	10,015	11,904

[1] **Cost price of inventory excl GST**

- Vehicle sourcing capability continues to improve through lead generation investment, pricing tools, pricing strategies.
- We continue to position stock acquisition for where demand in the market is strongest through use of our data analytics.
- Continued improvements in use of data have helped to lock in structural improvements in margin over pre-pandemic levels.
- Average cost of an owned stock unit down 8% to $8,300[1] per unit reflecting demand moving down price points. (87% of our inventory <$15k)

Damaged and End of Life vehicle volumes on the rise

Damaged and end of life vehicle units sold through Turners



- 20% of the NZ vehicle fleet are more than 20 years old
- Accident damaged vehicles and older vehicles getting more expensive to repair (parts/labour), vehicles more technical
- Insurers are writing off more vehicles as uneconomic to repair
- Weather events leading to more cars being written off by insurers

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Retail expansion pipeline

Ready for expansion. We have a balance of committed sites and future opportunities

Committed development pipeline

Location	Size	Timing	Expected additional profit contribution
Timaru (Cars)	4,000m2	Open – Nov 23	$500k
Napier (Cars site expansion)	8,000m2	Q4 FY24	$500k
Tauranga – Tauriko (Trucks and Machinery)	7,900m2	Q4 FY25	$300k
Christchurch – Hornby (Cars)	15,500m2	Q4 FY25	$400k
Christchurch – Airport precinct (Cars)	8,000m2	Q4 FY25	$300k
Christchurch – City Centre (Cars)	6,000m2	Q1 FY26	$500k

"Opportunities" pipeline

- New locations
  - Takanini/Drury
  - Whanganui
  - North East Christchurch
  - Lower Hutt
  - Albany North
- Existing locations expansion
  - Invercargill
  - New Plymouth
  - Tauranga

We own **14/31** of our sites with a cost value of $95M


Turners Cars
Hi Timaru!
Turners Cars
Helping Kiwis buy & sell for over 50 years.
Turners Cars

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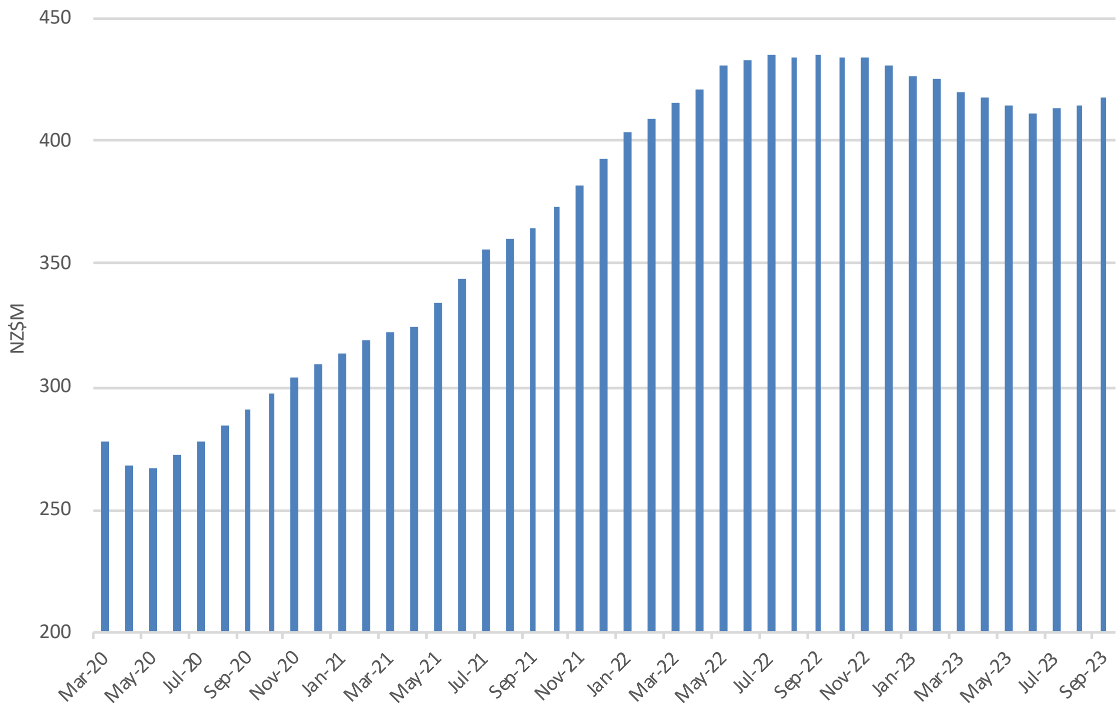
Finance

Revenue $30.2M +3%, Segment Profit $5.1M (44%)

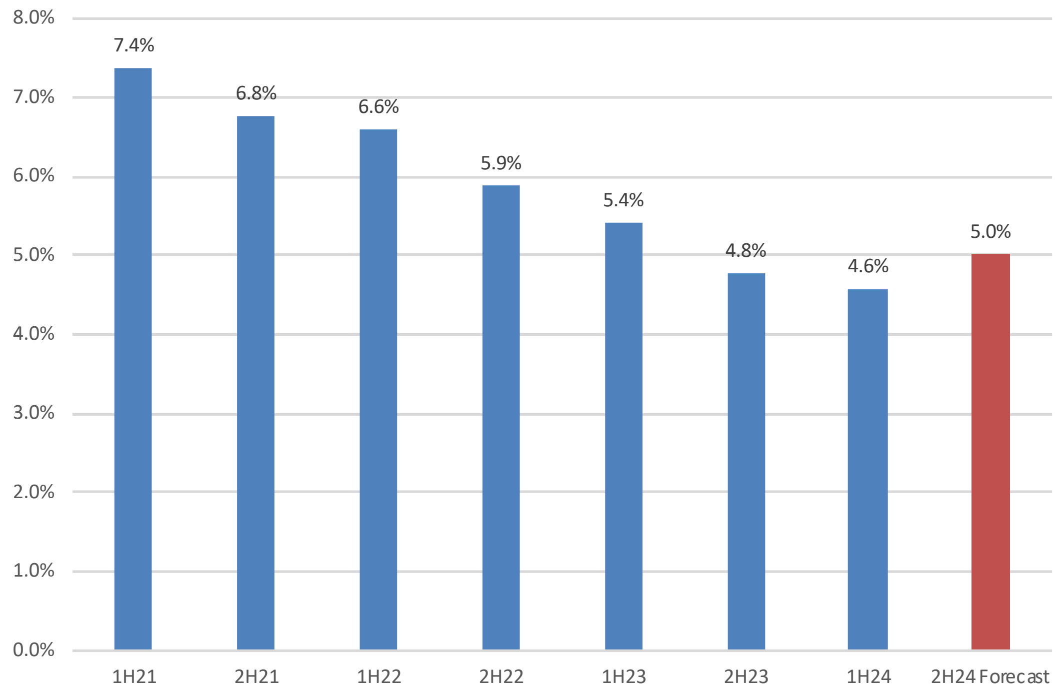
Receivables growth by month (excl impairments)



- Loan book starting to grow again off the back of stronger premium consumer lending.
- Margins have stabilised and we expect these to expand once interest rates start to fall, and as the ledger continues to re-price upwards.
- Controlled lending through our own Turners and Direct channel up 24% in HY24 to $47M.
- Credit policy continued to be tightened through HY24.
- Loss on disposal of pre-GFC property security $300k.
- Economic provision buffer maintained at the $2M level set in Mar-23.

The impact of rising OCR is starting to slow down…

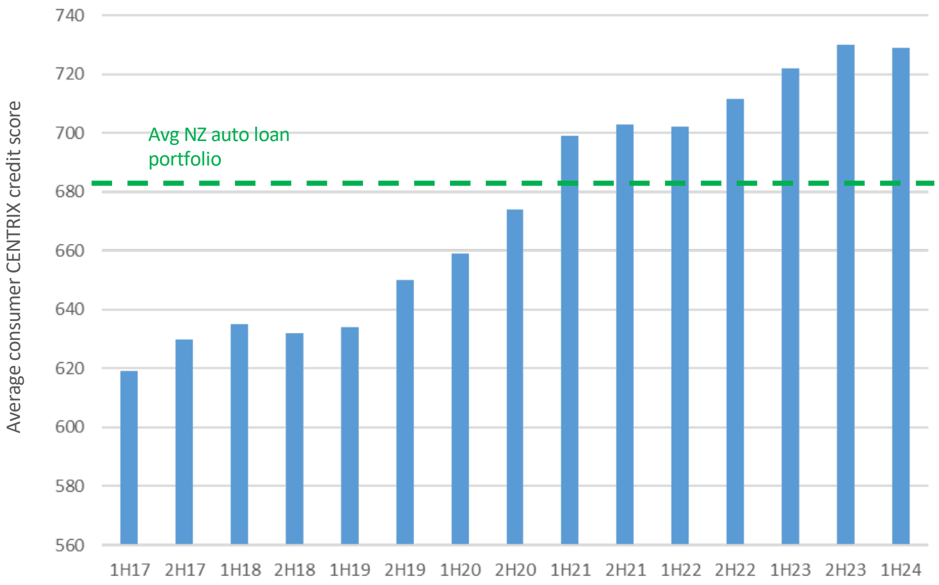
NIM % after originator commission



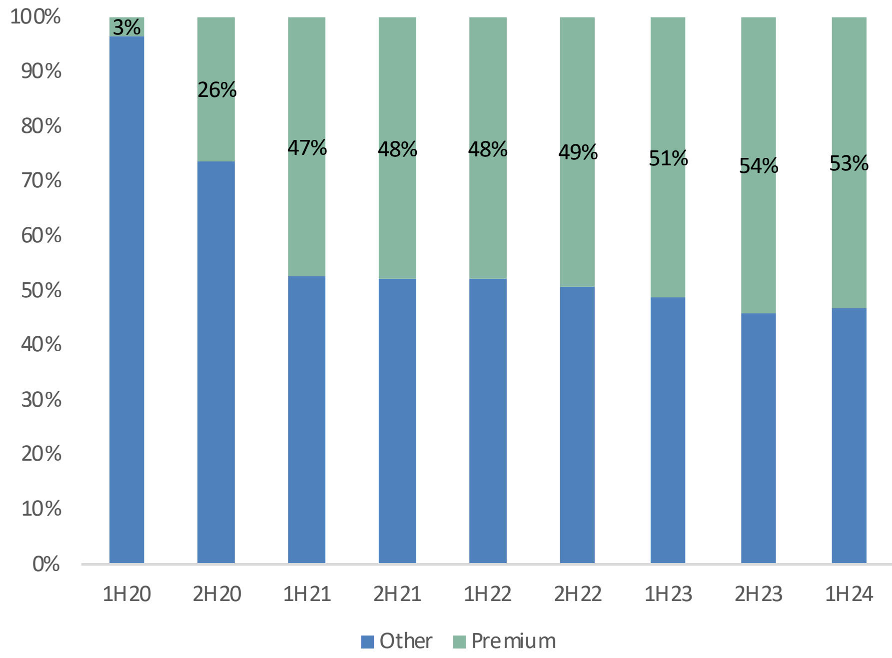
- Net Interest Margin has stabilised and is back growing but will gather pace as a reducing OCR cycle begins.
- Interest expense up 62% HY24 v HY23 with loan book down 4% over the same period.
- Increased hedged portion of Oxford borrowings to over ~74%.

Improvement in underwriting quality

Average Centrix credit score for loans on-boarded



Total new lending with premium tier risk split



Quality lending strategy resulting in arrears at well below industry benchmarks

Consumer arrears vs auto-loan industry

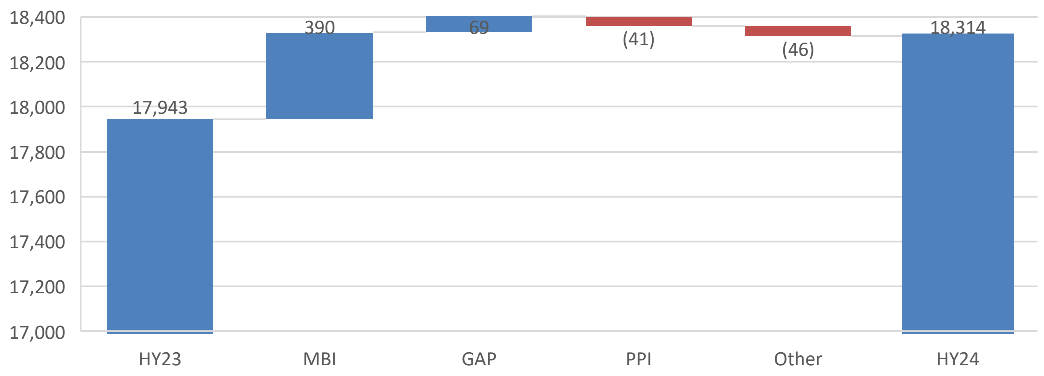
Hardship	As at HY24	As at HY23	COVID peak in FY22
Number	50	47	511
Balance	$1,012,000	$971,000	$12,260,000

- Oxford loan arrears continue to track materially better than market data published by Centrix (see chart at left).
- Hardship applications have remained stable despite economic conditions getting tougher
- Oxford has continued to refine credit policy over the last 18 months.
- There is also a material buffer ($2M) over and above BAU arrears provisioning to allow for further economic uncertainty.

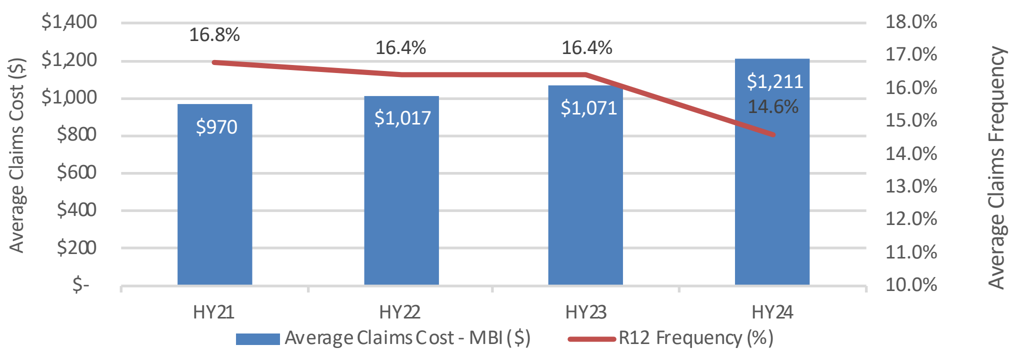
Insurance

Revenue $22.7M +5%, Segment Profit $7.1M +14%

Net earned premium HY23 to HY24 ($000s)



Average claims cost and claims frequency



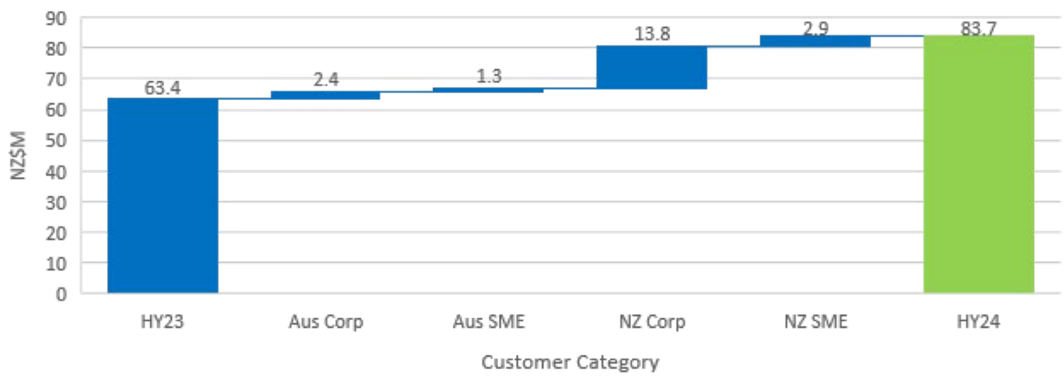
- Market share gains continuing to provide growth in policy sales…MBI premium up 3% on prior year.
- Claims costs inflation being offset by reduction in claims frequency due to people driving less (WFH and fuel prices)
- Underwriting profit (excl investment income) up 1%
- Operating Cost Ratio has increased slightly to 22% (20% HY23) due to costs associated with core system replacement.
- AM Best has revised the outlook to positive from stable for the Long-Term Issuer Credit Rating (Long-Term ICR) and affirmed the Financial Strength Rating (FSR) of B++ (Good)
- Google Rating and Customer Net Promoter Score continuing to increase.

MBI – Mechanical Breakdown Insurance
GAP – Guaranteed Asset Protection Insurance
PPI – Payment Protection Insurance

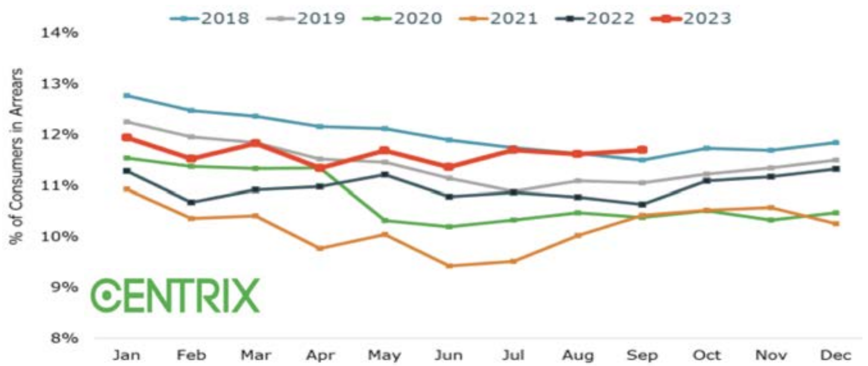
Credit management

Revenue $5.3M +8%, Segment Profit $1.8M +29%

Debt loaded HY23 to HY24 ($M)



Centrix consumer arrears trend – Sep 23



- Debt value loaded increased by 32% to $83.7M as market wide credit metrics continue to deteriorate. NZ SME debt load is up 45% year on year.
- Debt value collected was up 10% to $20.5M with cost of living pressure resulting in longer settlement arrangements to address outstanding debts.
- "Promises to pay kept" rate has also reduced from 73.1% in HY23 to 71.4% in HY24.
- The current NZ wide arrears level is now tracking above 2018 levels after coming off historic lows. This trend is expected to continue to worsen over coming months.

Great employee experience

+

Great customer experience

=

Great shareholder experience

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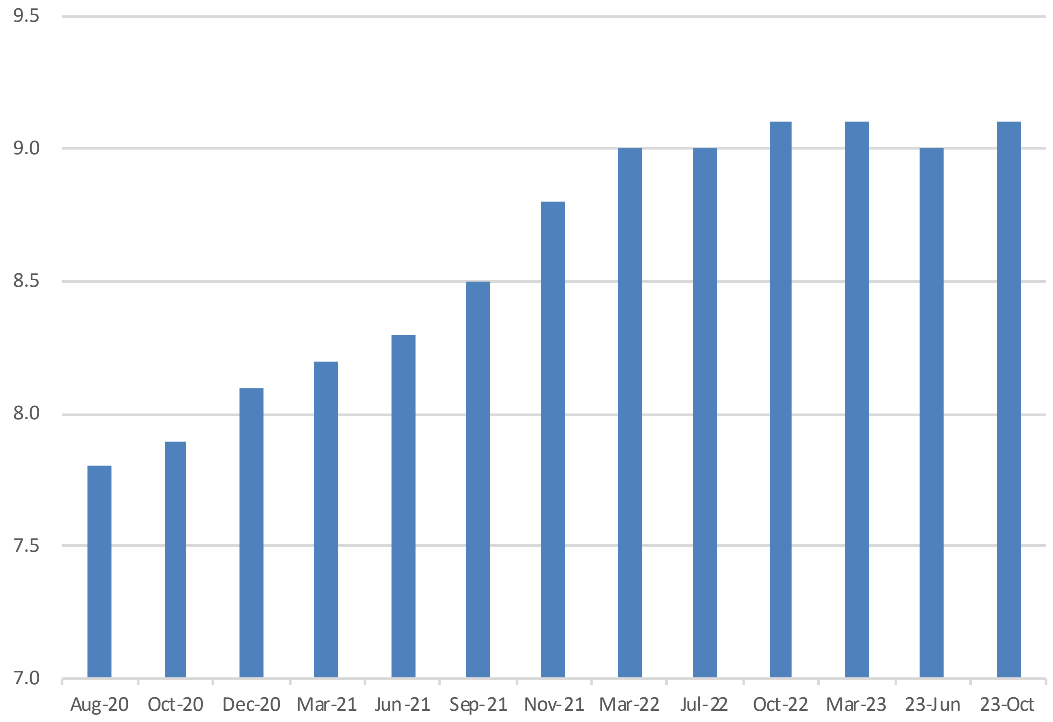
High engagement + ownership mindset is a powerful combination

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?”
- Turners rank in the top 5% of consumer businesses globally using the Peakon survey tool
- Having a strong culture and an engaged team is very important to us, particularly at a time when recruitment and retention is challenging
- We continue to invest in training, remuneration, and other benefits eg. Have now had two annual rounds of our Employee Share Scheme with ~50% take up
- High engagement + ownership mindset is a powerful combination in retention, recruitment and delivering great customer experience.

4 Outlook

Our key risks are narrowing…

Challenge	Mitigation	FY23 rating for TRA	FY24 rating for TRA	HY24 rating for TRA
Rapid increases in interest and Inflation rates	• Diversifying funding sources • Increase volume of direct lending • Increase hedging • Tightening cycle at or close to end	High	Medium	Low
Recession	• Targeting lower value cars <$15k for resale to meet where demand is • Continued tightening of credit policy	High	Medium	Medium
Regulatory	• Continue to engage constructively with regulators directly • Likely to see walking back of some regulation with new government	Medium	Low	Low
~~**Supply Chain**~~	• Focus on local vehicle sourcing • Investing more resource in parts ~~procurement in Insurance~~ • Increase number of mobile claims assessors	~~Medium~~	~~Low~~	~~Removed~~
Recruitment ~~and retention~~ of people	• Employee share scheme launched • ~~Parental leave benefit strengthened~~ • Investment in training and development	~~High~~	~~Low~~	~~Removed~~

Outlook – FY24 Guidance

Division Commentary

Auto Retail
- Upside in Q4 from our new branches. Timaru now open and trading well, and Napier to open Jan-24
- Supply of low cost vehicles critical to operating in market segments with demand.
- The transition of wholesale auction units into retail sales channel to underpin further market share growth.

Finance
- Quality metrics remain key priorities as economic conditions likely to impact arrears more acutely. Margins expected to expand in near term although still some sensitivity to the OCR track moving up.

Insurance
- Expect claims ratios to be stable, drop in frequency to offset claims costs inflation. Policy sales expected to remain at current levels.

Credit Management
- Already seeing benefit from worsening economic conditions and the resultant lift in debt loads from corporate and SME clients. We are well positioned for the next stage of the NZ credit cycle.

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Outlook – FY24 Guidance affirmed

Guidance

August 2023
- Positive results for FY24 year to date, and on track for our FY24 result to be ahead of record FY23 result.
- Forecast dividend at this level of profit will be 24 cents per share (+4%), and Directors have declared a Q1 dividend of 6.0 cents per share fully imputed.

October 2023
- HY24 net profit after tax will be at least $25M (up 8% in actual result)
- After a strong H1 comfortable to reaffirm that our FY24 result will be ahead of record FY23 result.
- Forecast fully imputed dividend at this level of profit will be 24 cents per share (+4%).

November 2023
- Reaffirming October guidance

What’s next…

- Business continues to show great resilience in the face of challenging market conditions.
- Turners is building genuine ownership of the used car category in NZ.
- On track to achieve our 10% market share goal in Auto Retail in the near term…Timaru and Napier opening in H2 FY24
- Increasing number of strategic property acquisition opportunities available in key locations as land holders evaluate options in phase of interest rate cycle.
- Still so much opportunity in the used car space, 20% of registered cars in NZ 20+ years old. Replacement demand + supply for damaged and end of life division.
- A strong Auto Retail business has a great halo effect for finance and insurance. When interest rate cycle moves down this becomes a tail wind for finance.
- We have huge strength in the Turners brand, systems, technology and people, we are evaluating options for what else we can do with this brand.
- Membership into the “NZX50 club” is close, as is our $50M profit target.

Contact

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