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2024 Annual Meeting Presentation

18 September 2024

Turners.
Automotive Group



Board of Directors



Grant Baker
Non-executive Chairman



Matthew Harrison
Non-executive Director



Alistair Petrie
Non-executive Director



John Roberts
Independent Director



Lauren Quaintance
Independent Director



Antony Vriens
Independent Director

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Meeting Agenda

1. Presentations

- Address from the Chair, Grant Baker
- Address from the CEO, Todd Hunter
- Address from Directors up for re-election

2. Shareholder Discussion

3. Resolutions are per Notice of Meeting

- Auditor Appointment and Remuneration
- Directors Resolution
 - Antony Vriens, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.
 - Alistair Petrie, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.

4. General Business

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Chairman's Address

Grant Baker



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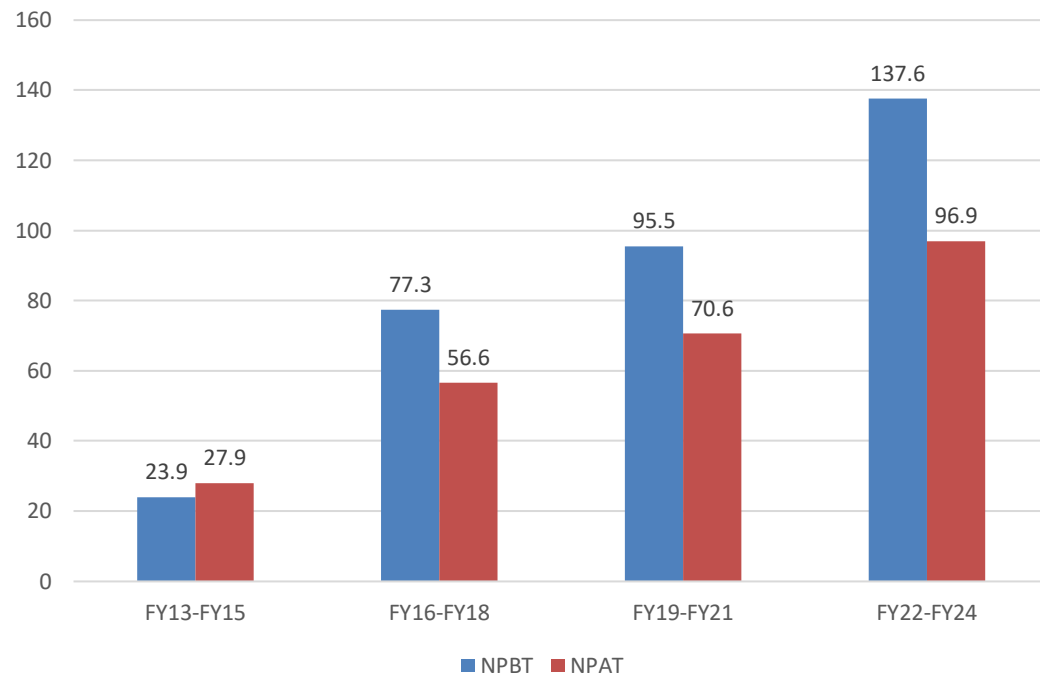
Delivering on our plan



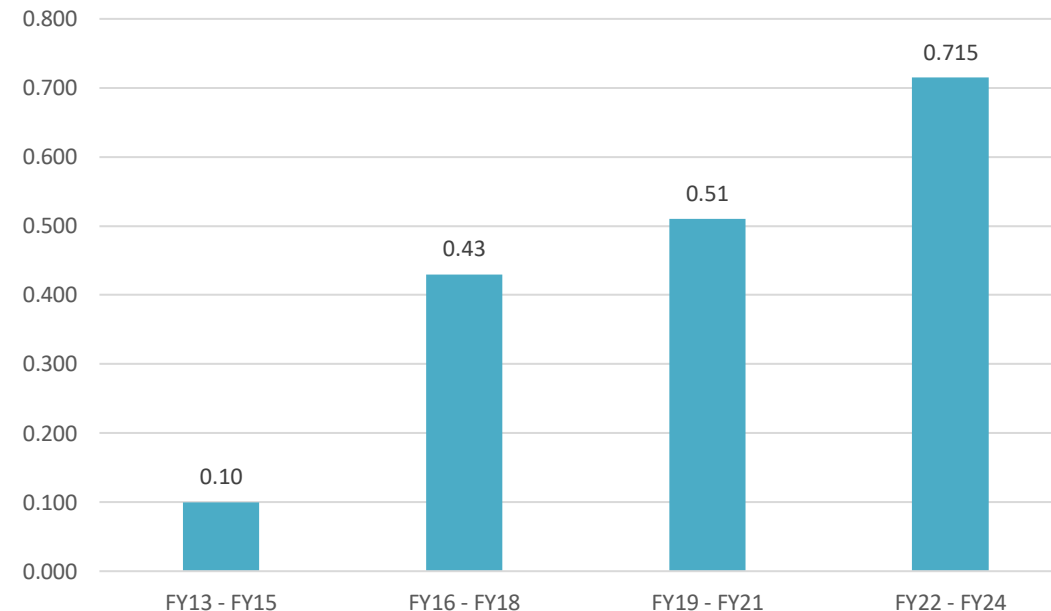
Turners is a strong and sustainable business with a proven track record...

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Total NPBT/NPAT over 3 year period (\$m)



Aggregate dividends paid over 3 year period (cps)



** Dividends fully imputed from FY17 onwards*

Delivering on our plan for growth ...

1. **Record result despite the economy** under significant pressure. Turners demonstrates resilience and ability to pivot to where the demand is strongest.
2. **Auto Retail division** grows profits 27%, Insurance 15%, Credit 9% helping to offset continued impact from increasing interest rates in Finance division.
3. **Full year dividend** at 25.5 cps. Based on current share price this is a gross yield of ~9%pa.
4. **Our plan for growth** has been proven up and de-risked over the last three years.
5. **The business remains well diversified**, and the value of having annuity and activity based revenues is proving out again.
6. **NZ and global economic challenges** will persist over the next 12-24 months. Still see opportunities in the markets we operate in, and are well positioned to take advantage of these.

- EBIT \$58.6M +12% ¹
- NPBT \$49.1M +8%
- Revenue \$417.0M +7%
- Dividend 25.5 cps +11%
- Earnings per share 37.7 cps 0%
(normalised EPS 40.2cps +7%) ²

¹ EBITadjusted for interest expense in Finance (non-IFRS measure)

² The legislative change to remove depreciation on commercial buildings has increased the effective tax rate to 33% for FY24. This is a one-off non-cash impact in FY24 only. The effective tax rate over the last two years is between 27.5-28.5%. A normalised NPAT using FY23 tax rate of 28.5% would be \$35.1M +8% and EPS would be 40.2 +7%.

Turners Auto defies downturn, reports record earnings



By [Jamie Gray](#)

21 May, 2024 09:48 AM 2 mins to read

Save



Turners Automotive has reported record earnings for the March 2024 year. Photo / Supp

Turners Automotive says diversification helped the used car dealer and finan defy the economic slowdown and report record earnings for the March year.

The company's after-tax net profit rose by 1.5 per cent to \$33.0 million.

Before tax, the profit rose by 8 per cent to \$49.1m, while earnings before inte and tax gained 12 per cent to \$58.6m.

The company, which is also involved in credit management and insurance, de a dividend of 7.5 cents per share (cps), taking the full-year dividend to 25.5c 11 per cent.



INVESTMENT

Turners brushes off tough economy with top profit

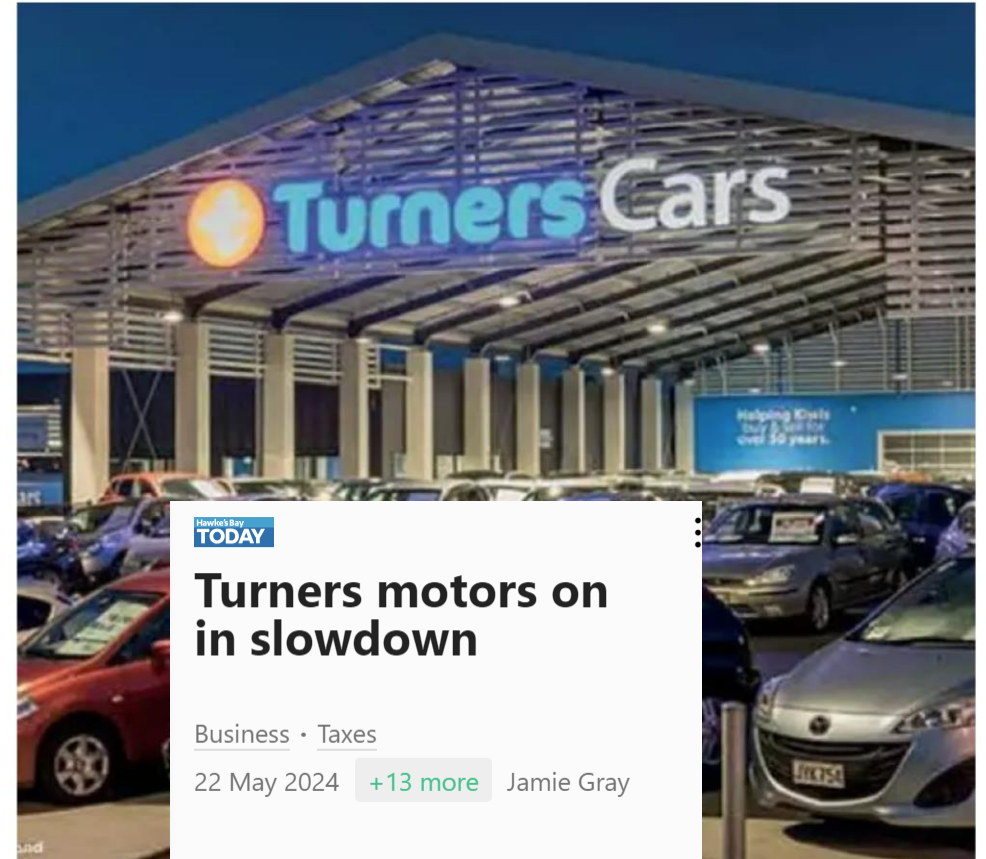
Net profit rose 1.5% to \$33m in year ended March 31, as used car dealer exceeded targets.



Jonathan Mitchell



Turners Auto defies downturn



Hawke's Bay TODAY

Turners motors on in slowdown

Business · Taxes

22 May 2024 +13 more Jamie Gray

Turners Automotive says diver-sification helped the used-car dealer and financier defy the economic slowdown and report record earnings for the March year.

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FY24 Results snapshot

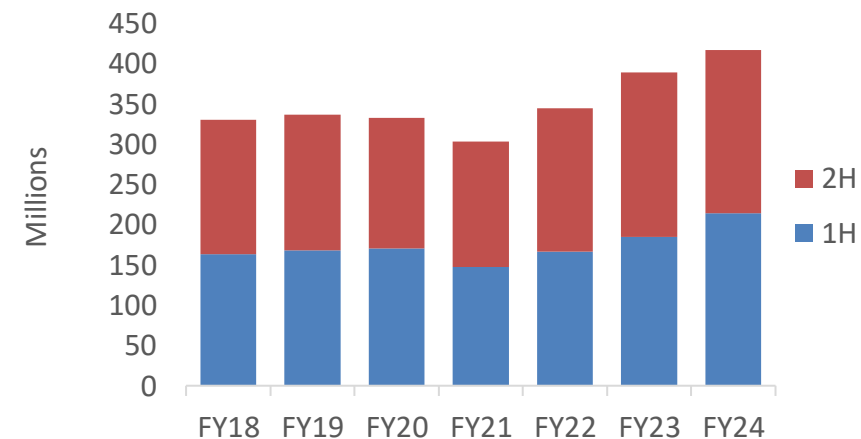
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Revenue \$417.0M +7%	Shareholders' Equity \$278M as at 31 March 24
Net Profit Before Tax \$49.1M +8%	Final Dividend 7.5 cps FY Div 25.5 cps +11%
EBIT ¹ \$58.6M +12%	FY24 Earnings Per Share ² 37.7cps 0%
Net Profit After Tax ² \$33.0M +1.5%	

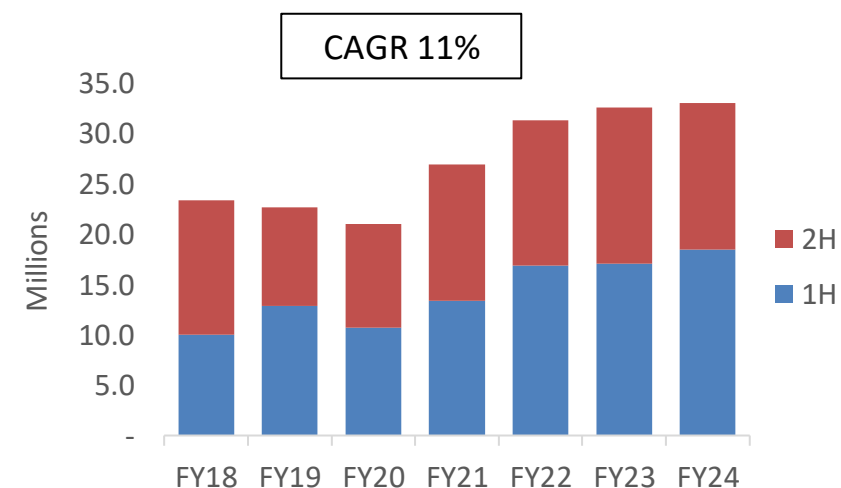
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Revenue



Net profit after tax



We operate to a simple formula

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**Quality
environment
for our people**

+

**Quality
customer
experiences**

=

**Quality outcomes
for our
shareholders**

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50% of our team ~350 people own shares in Turners.

Winner of Most Trusted Used Car Dealership 5 years running

A decade of increasing dividends for shareholders (except for 2020)

Quality environment for our people

+

Quality customer experiences

=

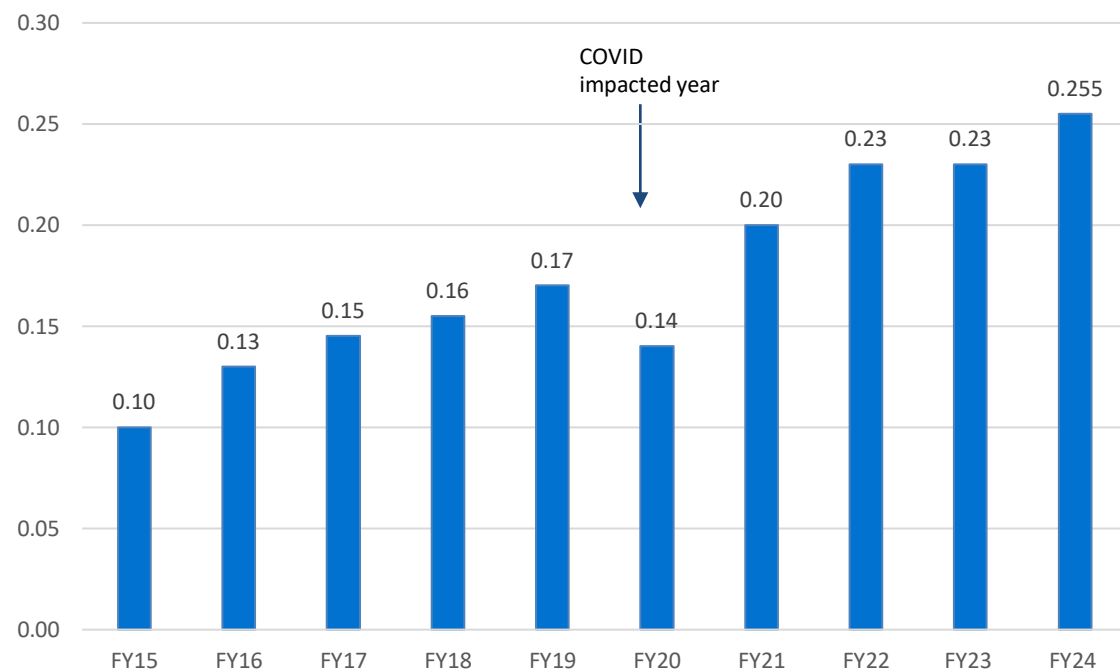
Quality outcomes for our shareholders

Top 5% globally for levels of team engagement

Turners has a strong and sustainable yield

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Dividend per Share (\$)



- Continued the track record of delivering strong, sustainable and growing dividends in the business (CAGR 11%)
- Dividend payout ratio is 60-70% of NPAT.
- DRP continues to be successful with take up ~20%

Note - Dividends fully imputed from FY17 onwards

A year of accolades...

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Entry into NZX50



**INFINZ
CEO of the Year**



**Finalist in the Diversity
Works NZ Awards for
Respectful Culture**



**NZ Marketing Award:
Excellence in Long-
Term Marketing
Strategy**

New medium-term target of \$65M NPBT for FY28

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May-24 set new target of \$65M NPBT by FY28

- We achieved our FY24 target a year ahead, and remain on track for exceeding our \$50M NPBT FY25 goal.
- Assumes organic growth out of Auto Retail with new branches planned plus continued wholesale to retail transition. Recovery in Finance business and Credit management + direct to consumer growth in Insurance.
- 5yr actual CAGR - FY19 to FY24 of 11.1%
- 10yr forecast CAGR FY19 to FY28 of 9.4%

Positioning ourselves for future growth and extension of the Turners brand...





- Turners have invested \$3.35M for 50% of My Auto Shop
- My Auto Shop are a vehicle repair platform with 300+ MTA approved repairers plus a fleet of MyAutoShop branded mobile repair vans. Their goal is simple, they aim to make vehicle repairs easier.
- Significant opportunity to develop a scale player in the \$3B highly fragmented auto repair market in NZ.
- Turners see enormous strategic value in the acquisition plus we like the point of difference around convenience, transparency and simplicity of experience.
- There is a significant opportunity to cross sell these services to more than 200,000 Turners customers right across Turners Cars, Autosure Insurance and Oxford Finance.



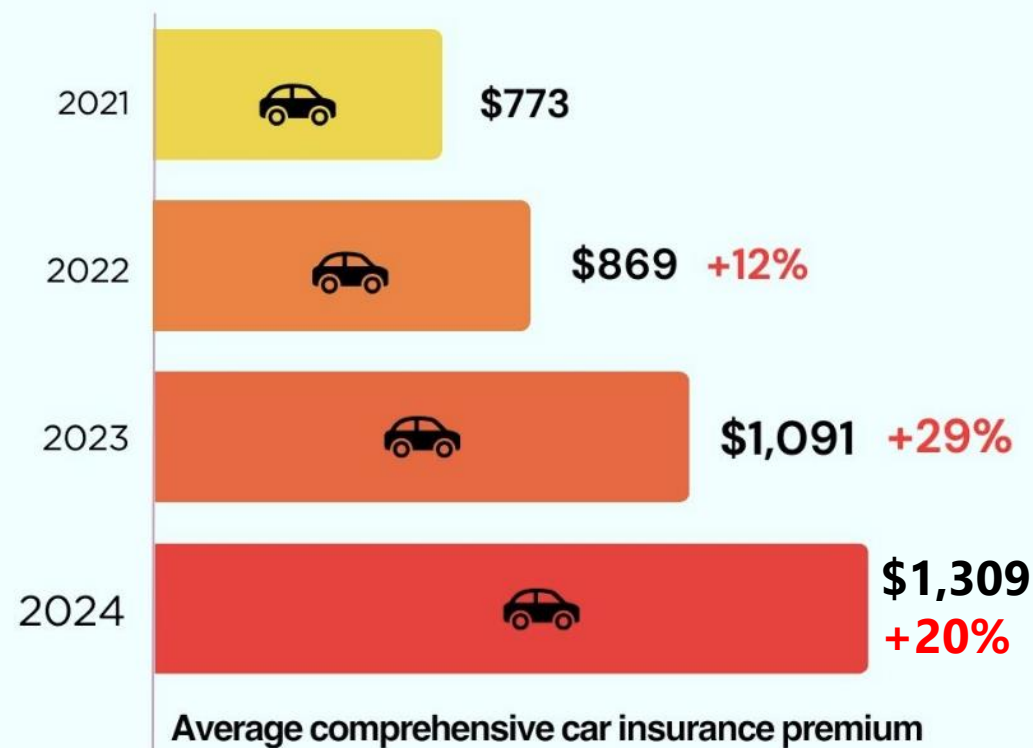
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- Strategic investment of \$1 million in Quashed giving a 13% stake in the rapidly growing Kiwi company.
- Quashed allows consumers to easily compare, shop and manage insurance policies from multiple insurers across motor, contents, home, pet, and life insurance.
- The investment aligns with Turners' partnership strategy to provide more value to Turners' customer base. We love the fairness, ease and simplicity that Quashed brings to insurance.
- Commercial agreement established between Quashed and Turners for customer referrals.

How much are Kiwis paying for car insurance

Quashed



Average comprehensive car insurance premium

Data source: Quashed.co.nz

Key takeaways...

- ✓ **Attractive dividend** yield of c.9%
- ✓ **Proven track record** of growth, resilience and a positive outlook.
- ✓ **Strong earnings**, despite extremely challenging conditions for retailers.
- ✓ **Auto Retail** fired again during the year with +27% profit growth. But it's much more than the "Tina effect" when you look "under the hood" (sourcing, sites, systems).
- ✓ **Finance** is ramping up again in FY25 after interest rate headwinds, which are now turning into tailwinds. Arrears remain well below industry norms.
- ✓ **A special culture** with inspiring leadership
 - top 5% globally for employee engagement
 - 53% share ownership means an "ownership mentality" every day.

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CEO's Update Todd Hunter



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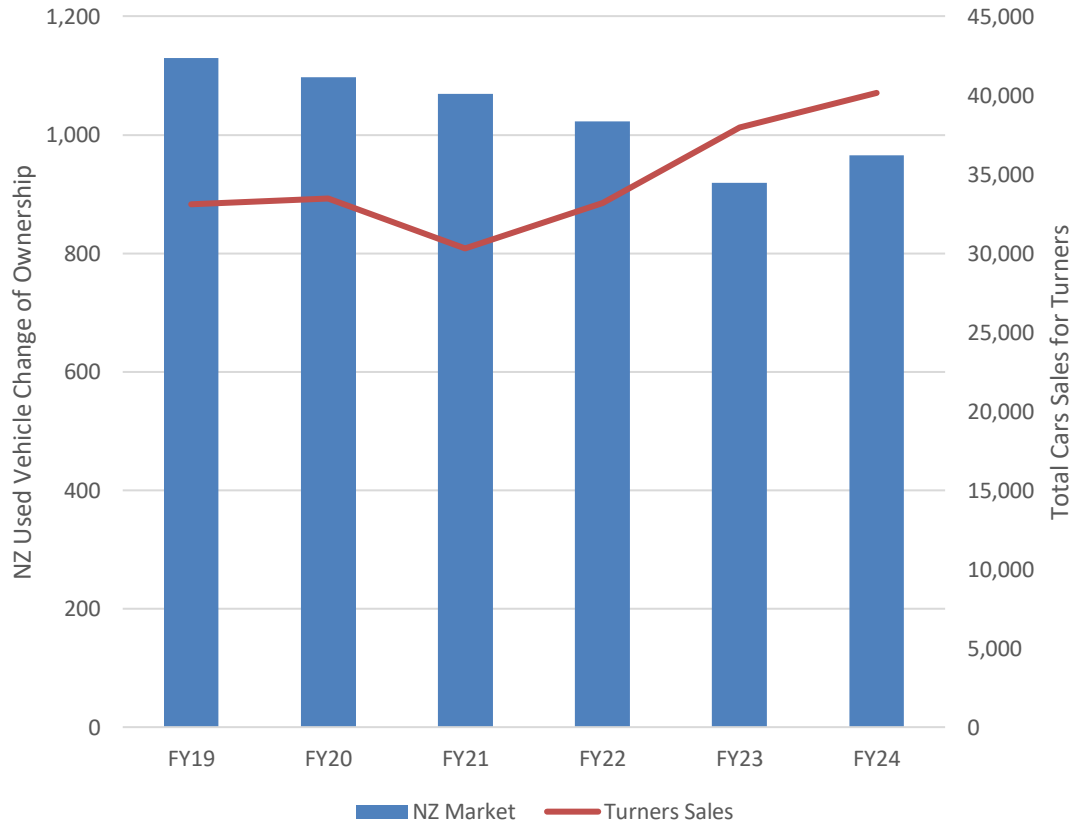
What is happening in the markets we operate in?



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Regulatory changes driving drop in used car market sales...

NZ Used Car Change of Ownerships (000s)

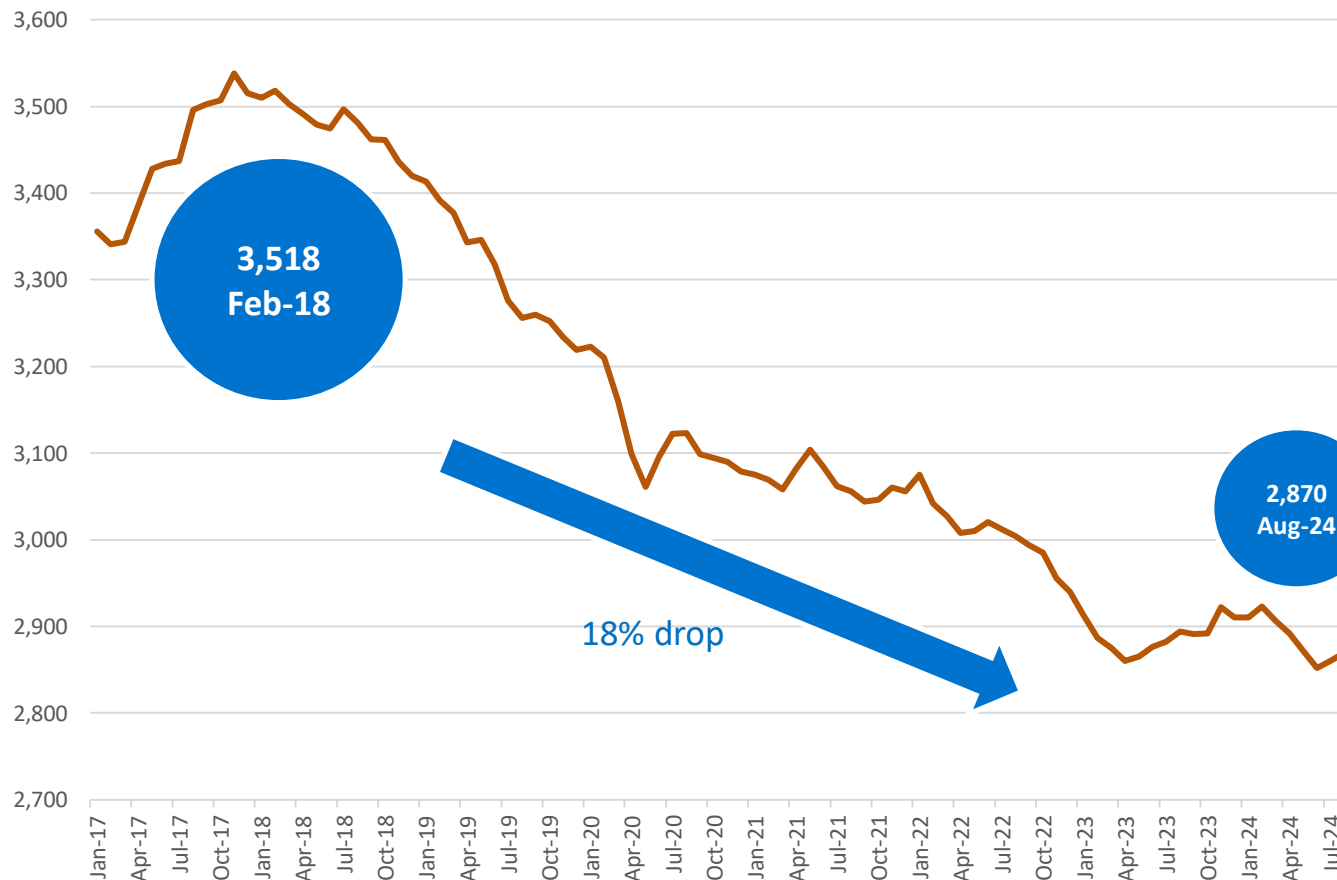


Source NZTA

- The last year saw a material impact on the used import market with unprecedented levels of change in government regulation.
- Overall used car transaction levels for FY25 YTD in-line with FY24
- Turners unit sales tracking 7% ahead Aug-24 YTD
- New car market has been in a real downturn Passenger vehicle sales down 30% FY25 YTD and light commercial down 9% FY25 YTD
- Demand for higher value cars continues to moderate. Demand for lower value cars growing. Expect this to continue until interest rates start dropping.

Dealer numbers bouncing along the bottom

Registered Dealer Numbers NZ (source MBIE)



- Registered dealer numbers bottomed out in Q1 2023 but picked up off the strength of NZD v YEN and higher numbers of used imports.
- Dealer numbers starting to track down again with weak demand and weakening NZD.
- Demand for higher value cars continues to moderate and strengthen at lower price point segments.
- Ultimately this is a category where scale will win

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Business divisions



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FY24 by segment

(\$M)	Automotive Retail		Finance		Insurance		Credit	
Revenue	298.6	+7%	62.4	+6%	46.1	+6%	9.8	+6%
Segment NPBT	31.8	+27%	12.2	(18%)	14.3	+15%	3.1	+9%

- 3 out of 4 segments materially ahead of FY23
- Composition of FY25 profits will look different and it is playing out in line with our expectations

Auto Retail Division

Strong brand

Smarter sourcing

Systems efficiency

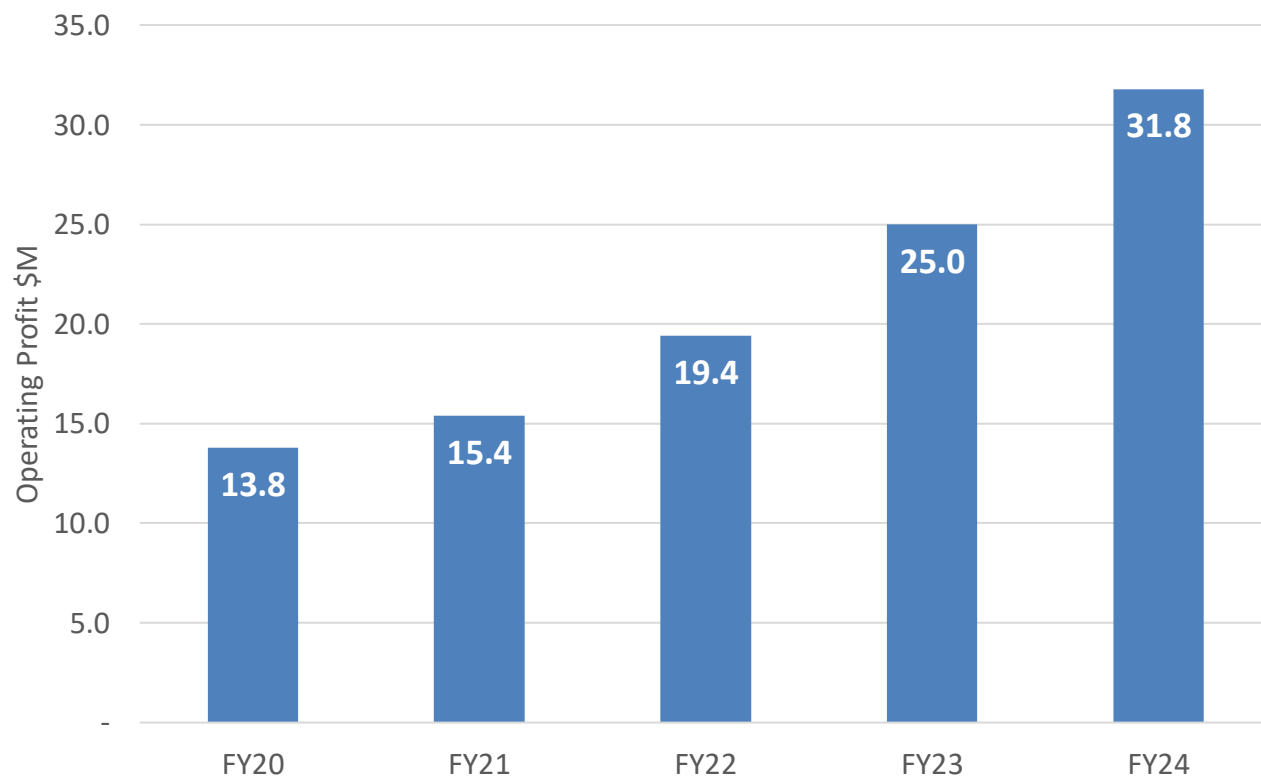
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Our auto retail division has been a stand out performer

Revenue \$299M +7%, Segment Profit \$32M +27%

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Operating Profit Contribution Auto Retail (\$M)



- Sourcing cars locally (Tina working well)
- Operational improvements meaning we turn stock faster
- Focusing on selling retail cars, more margin!
- Opening more branches (supermarket strategy)
- Damaged and end of life vehicle business performing well off the back of aging NZ vehicle fleet

Branch expansion + owning more local cars will drive growth in units sold

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Car units sold v Forecasted property retail m2



Entering a “build” phase for next growth push

Committed development pipeline

Location	Branch	Size	Timing	Expected additional profit contribution
<i>Timaru (COMPLETED)</i>	<i>Cars</i>	<i>4,000m2</i>	<i>Q4 FY24</i>	<i>\$500k</i>
<i>Napier (COMPLETED)</i>	<i>Cars</i>	<i>8,000m2</i>	<i>Q4 FY24</i>	<i>\$500k</i>
Tauranga – Tauriko	Trucks & Damaged Vehicles	7,900m2	Q2 FY25	\$400k
Christchurch – Hornby	Cars	15,500m2	Q4 FY25	\$400k ¹
Christchurch – Burnside (Airport precinct)	Cars	8,000m2	Q4 FY25	\$300k ¹
Christchurch – City Centre	Cars	6,000m2	Q1 FY26	\$500k ¹
Tauranga - Greerton	Cars	7,600m2	Q4FY27	\$600k

¹additional profit contribution over and above the current operating profit of Christchurch operations of ~\$4M

“Opportunities” pipeline

New locations

- Takanini/Drury
- Whanganui
- North East Christchurch
- Lower Hutt
- Albany north

Existing locations expansion

- Invercargill
- New Plymouth

We own 15 of our sites with a cost value of \$115M

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Christchurch footprint to be optimised by 2026, with three new sites under development

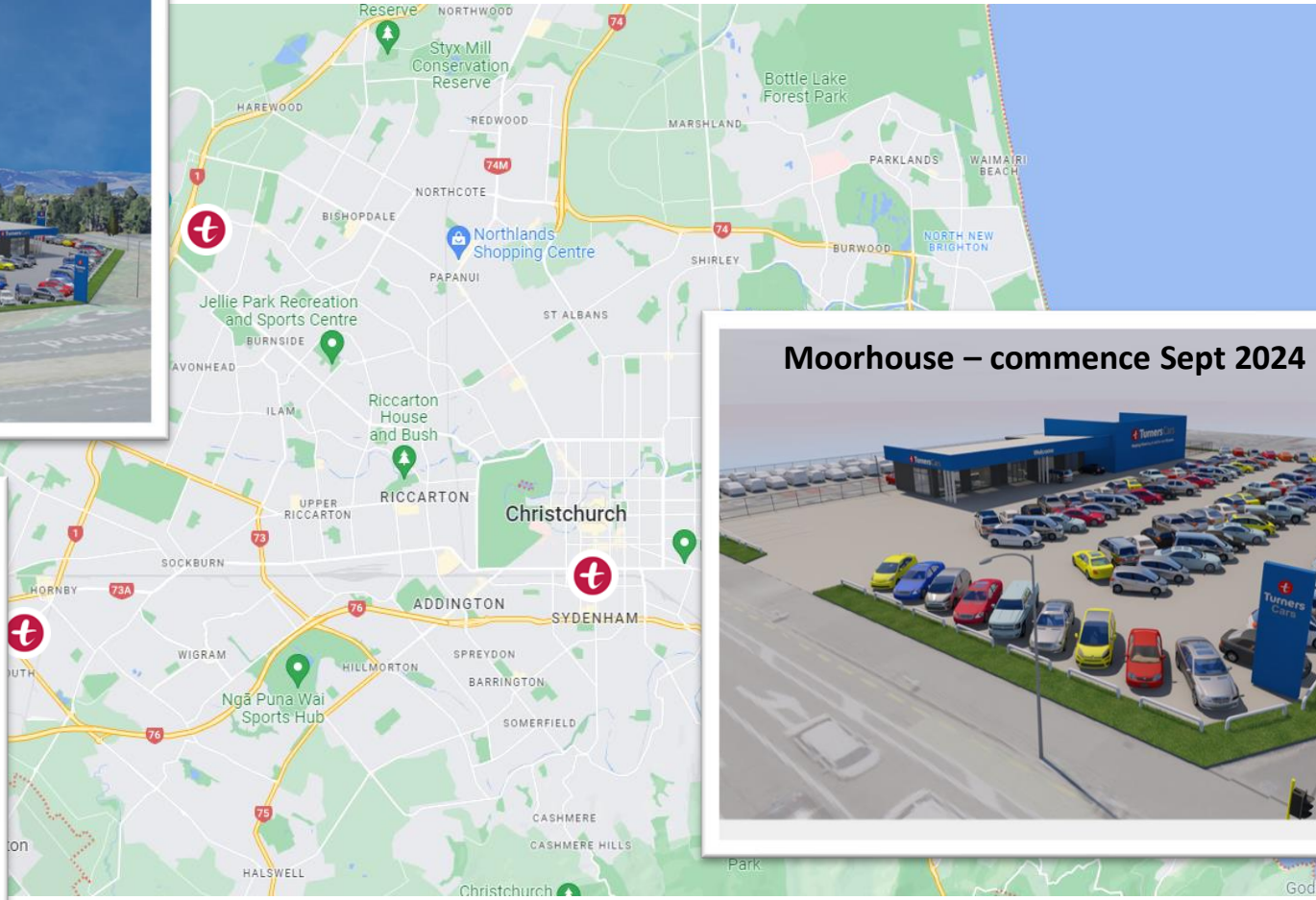
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Wairakei Rd – April 2025



Hornby – commence Oct 2024



Moorhouse – commence Sept 2024

Shands Rd, Hornby, Christchurch (15,000m²)



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Shands Rd, Hornby, Christchurch (15,000m²)



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Other Christchurch sites – works to start September Moorhouse Ave (6500m²)

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Other Christchurch sites – works to start September

Wairakei Rd (12,000m²)



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Tauranga Trucks / DEOL – new site in Tauriko due for completion Oct 2024



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Tauranga Trucks / DEOL – new site in Tauriko due for completion Oct 2024



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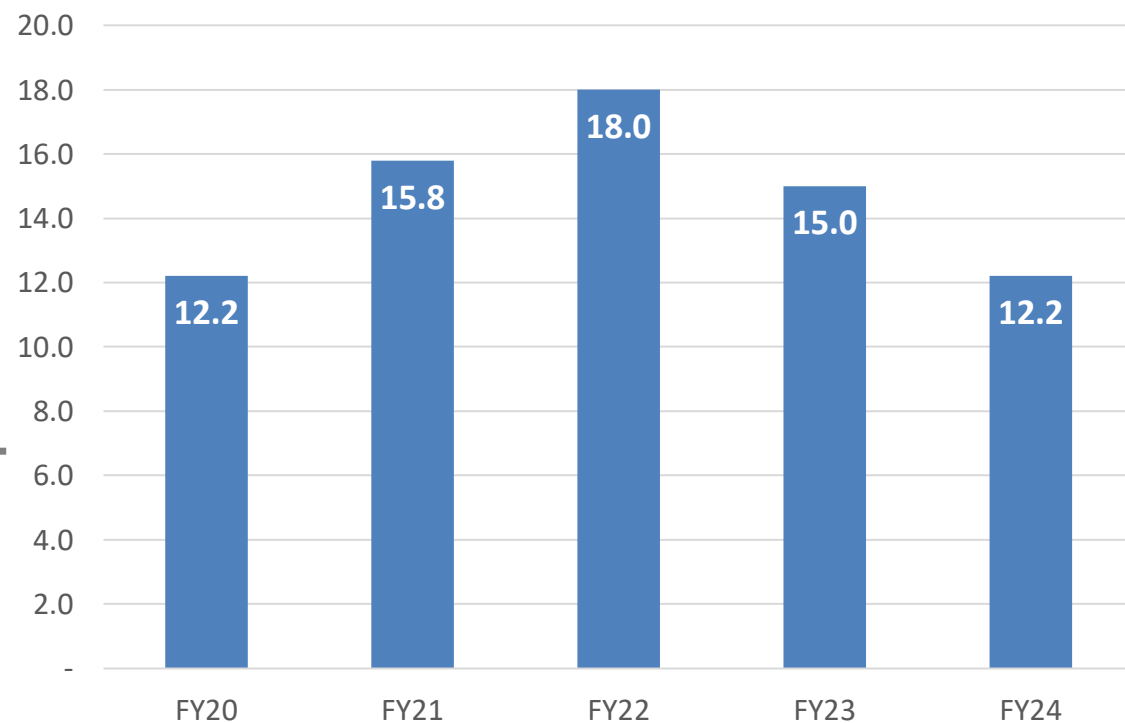
Finance Division

Weathered the interest rate shock
Credit scores continue to improve
Back into growth mode

Finance division

Revenue \$62.4M +6%, Segment Profit \$12.2M -18%

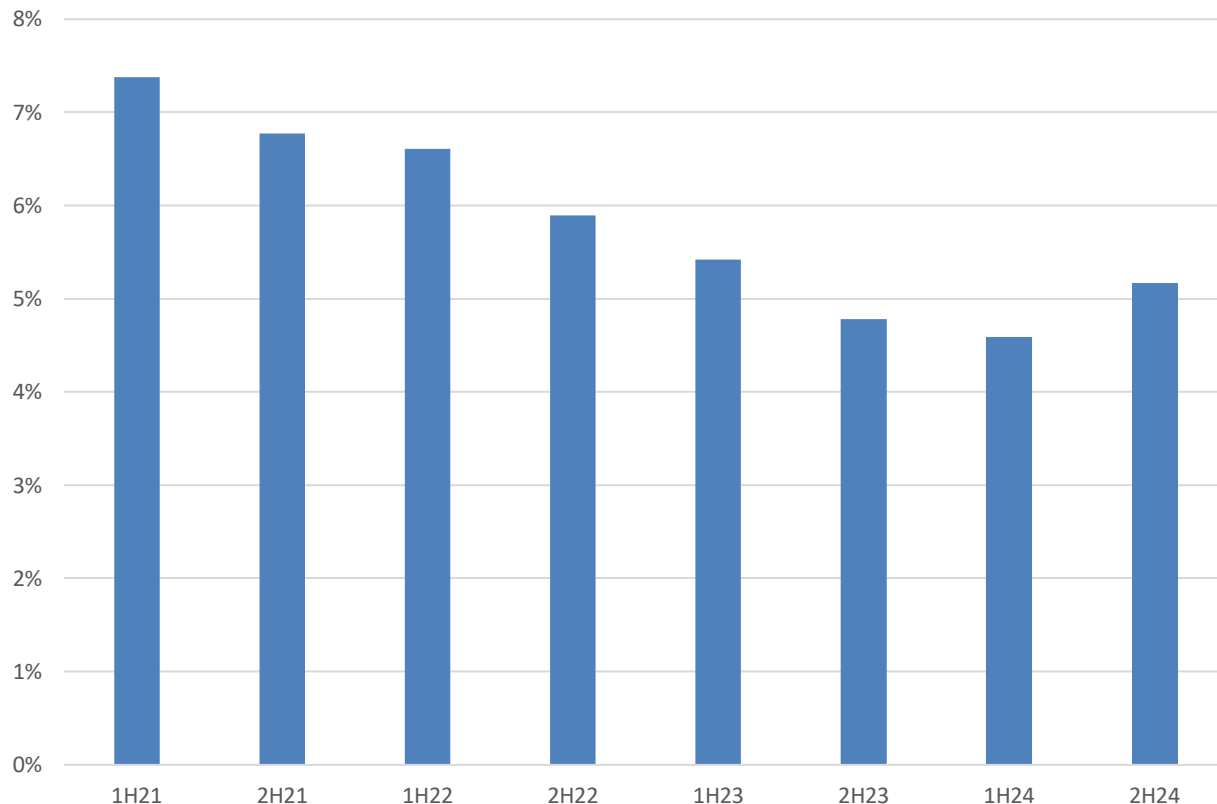
Operating Profit Contribution Finance (\$M)



- Interest rate cycle has been a head wind since FY23 ...but this will turn into a tail wind in time
- Growth in Turners Cars business has halo impact for Oxford.
- Our focus on lending to quality borrowers puts us in a strong position
- Arrears tracking well below pre-covid levels
- Margins starting to expand and loan book back in growth mode

Net interest margin starting to lift.

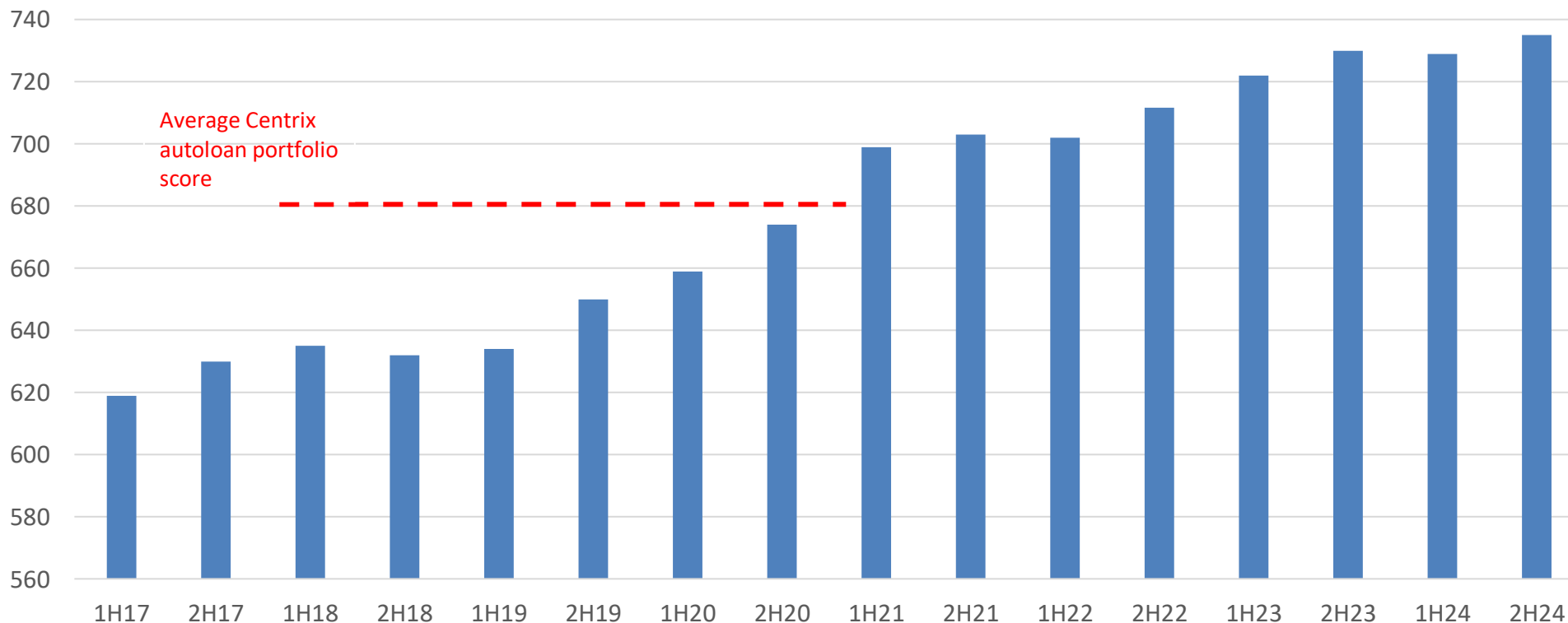
Net Interest Margin (NIM) % after originator commission



- NIM has stabilised and is back growing but will gather pace as a reducing OCR cycle begins.
- Some older and low priced interest swaps running off in Q1 FY25 which will have a negative impact on NIM in H1 but will unwind in H2.
- Increased hedged portion of Oxford borrowings to over ~75%.

The quality of the finance book continues to improve.

Average Credit Score

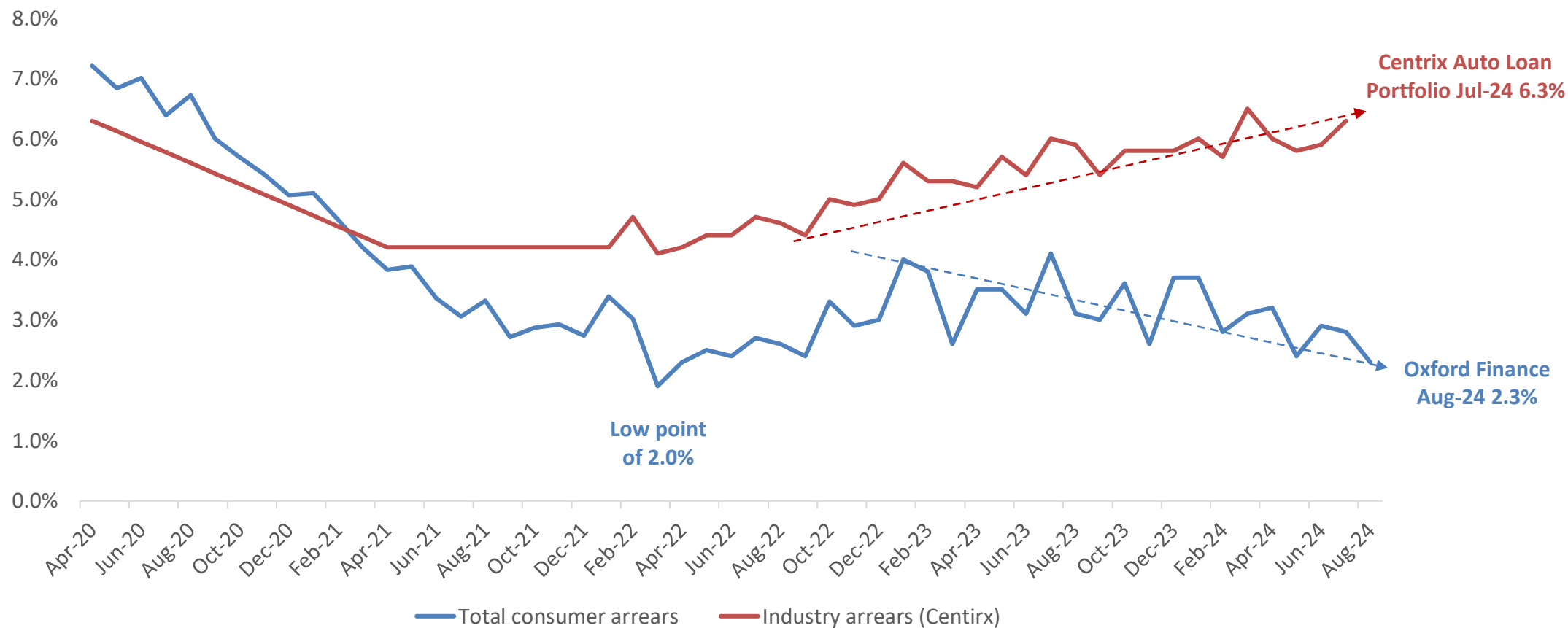


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Quality focus resulting in arrears at well below industry benchmarks

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Consumer arrears



Insurance Division

Well tuned business

Distribution networks still important

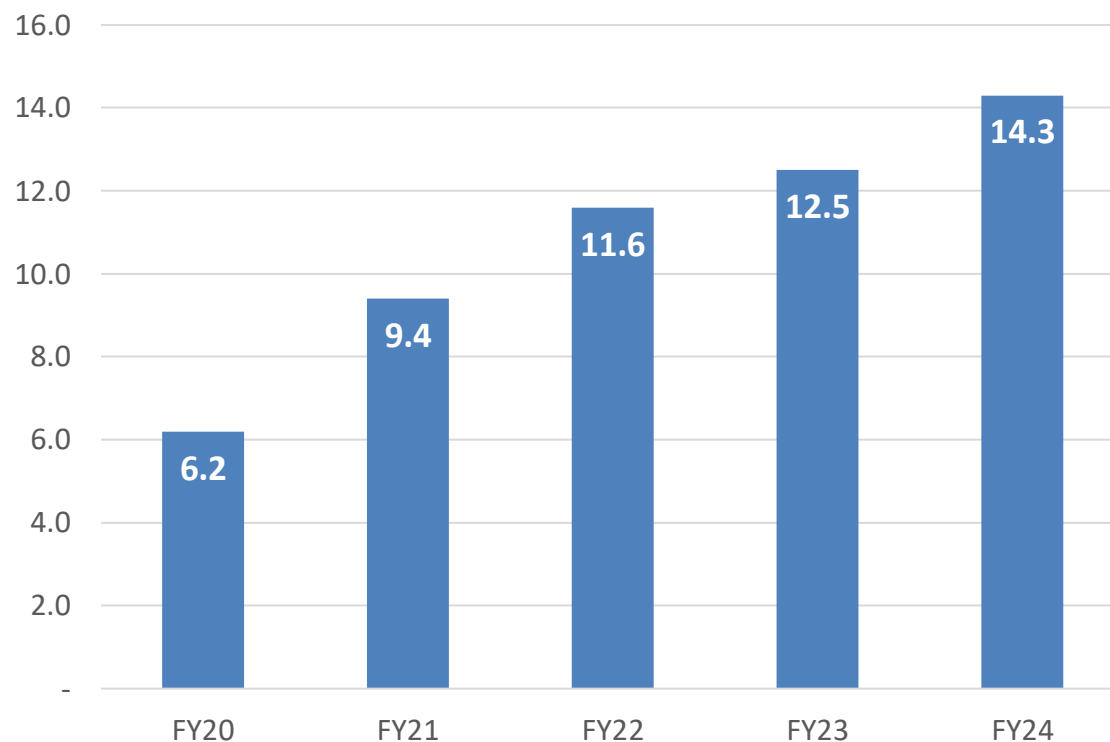
Building blocks for a direct to consumer offer in place

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Insurance division

Revenue \$46.1M +6%, Segment Profit \$14.3M +15%

Operating Profit Contribution Insurance (\$M)

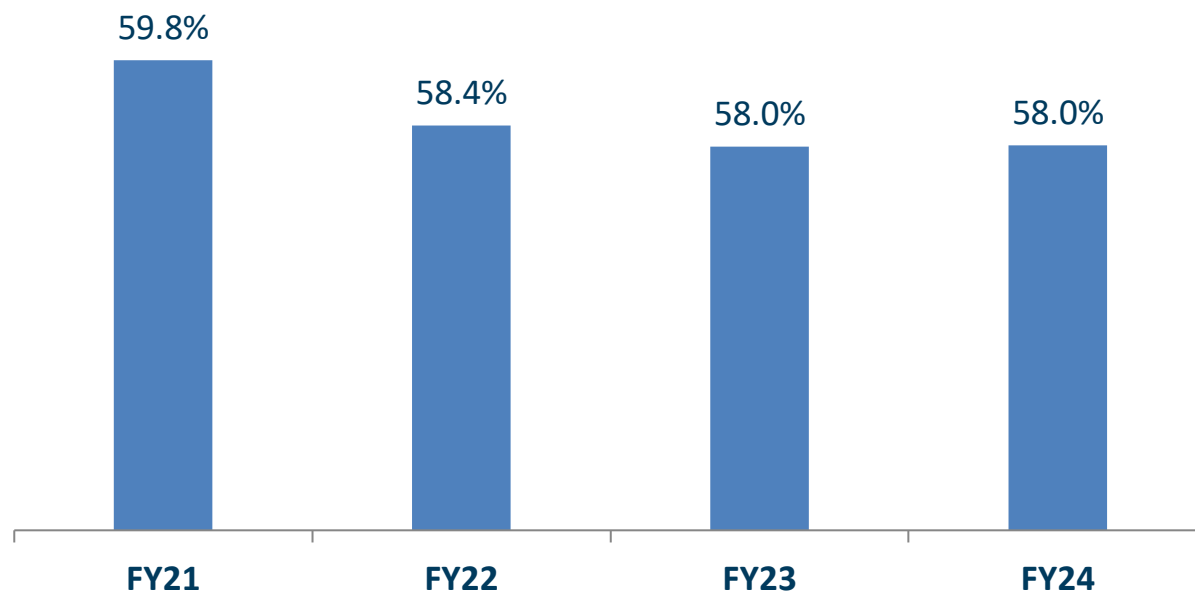


- Market share gains continuing to provide robust policy sales despite challenging market conditions.
- Risk pricing continues to be refined
- Digital distribution arrangements continuing to work well with further opportunities in pipeline
- Claims Costs inflation being offset by frequency of claims reducing due to changes in consumer behavior (WFH and cost of living)
- Pandemic and weather events have confirmed no catastrophe risk in portfolio, and our de-risking strategy has worked effectively

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Claims are being well managed

Mechanical Breakdown Insurance (MBI) Loss Ratio Performance



- Claims Costs inflation being offset by frequency of claims reducing due to changes in consumer behavior (WFH and cost of living).
- Risk pricing very important in managing loss ratios, Autosure has introduced 2 new categories of vehicle in FY24 to ensure we are pricing correctly for risk
- Expectation is we are near the end of claims inflation phase

Credit Management Division

Business recovering

Tightening economy supports growth

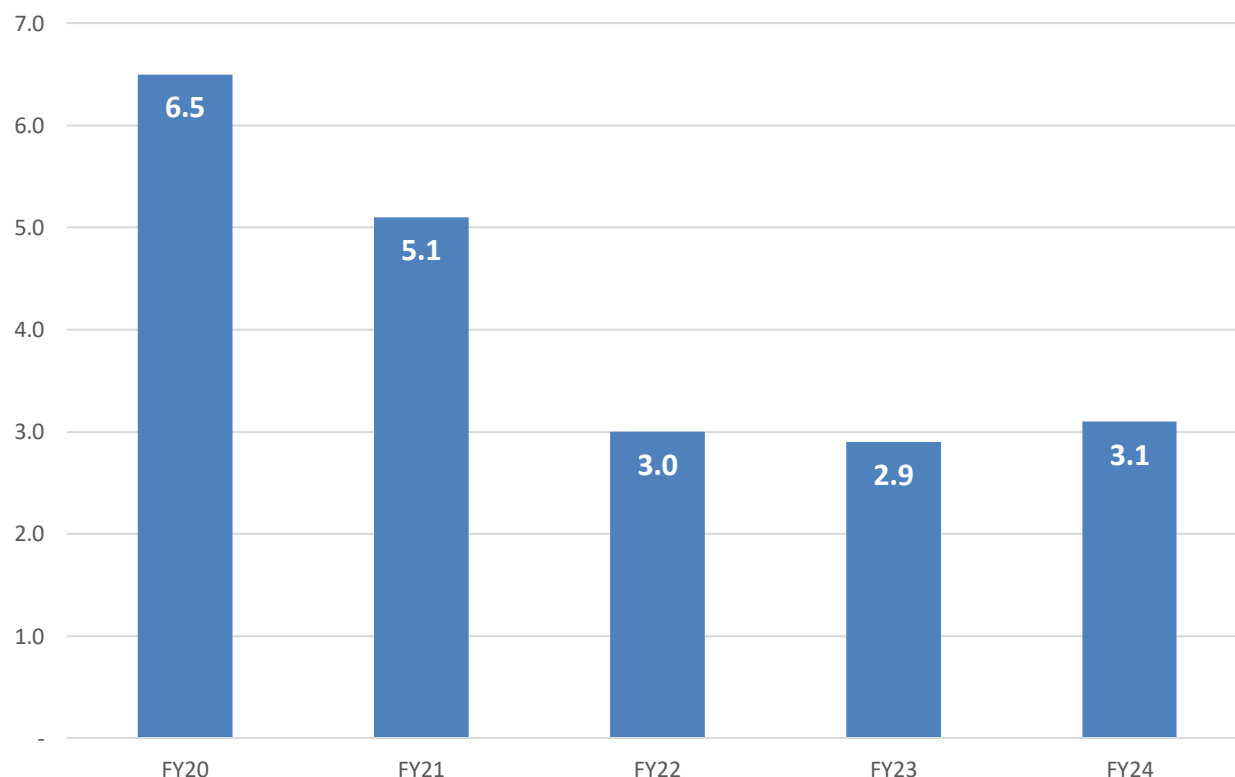
Payment bank being rebuilt

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Credit management

Revenue \$9.8M +6%, Segment Profit \$3.1M +9%

Operating Profit Contribution Credit (\$M)

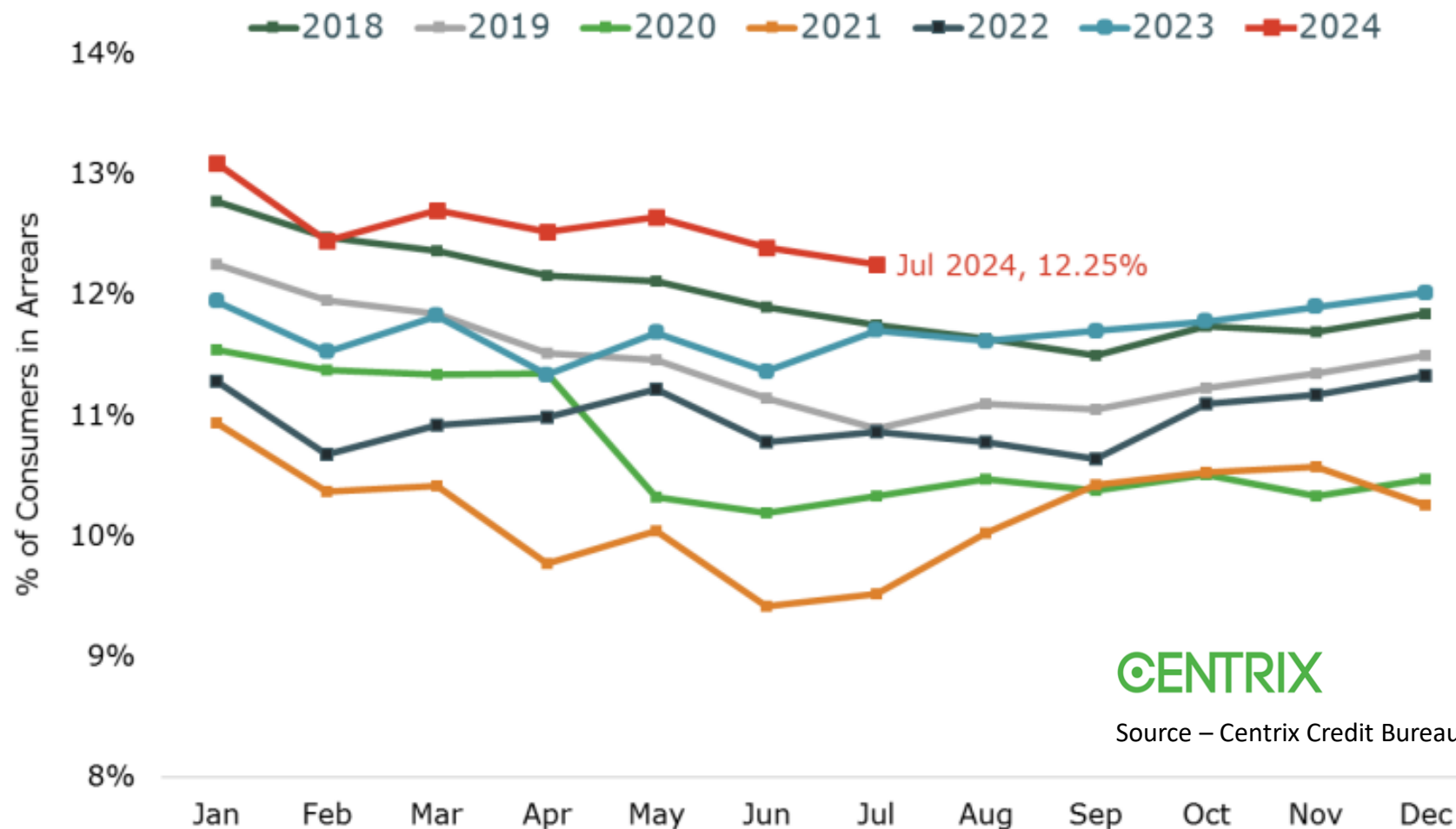


- Business recovering and building off the back of improved marketing and a deteriorating economy.
- Debt value loaded increased by 14% (\$18M) over FY23.
- Payment bank being rebuilt as debt load increases
- NZ wide credit metrics continue to deteriorate and are now the worst they have been in the last 7 years, which should see debt load levels increase over coming years.

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NZ credit arrears metrics worst in 7 years

Consumer Arrears Trend



CENTRIX

Source – Centrix Credit Bureau

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Funding

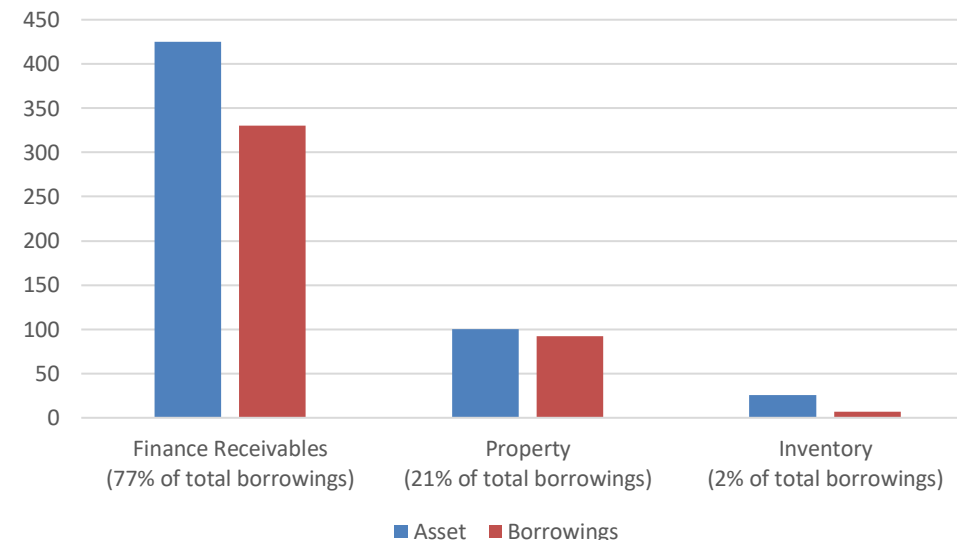


More diversification in funding introduced

Borrowings

(\$M)	Limit	Drawn
Receivables – Securitisation (BNZ/ACC)	371	305
Receivables – Banking Syndicate (ASB/BNZ/Westpac)	50	23
Less Cash		(10)
Net Receivables Funding	421	318
Receivables Funding Capacity		103
Corporate & Property	130	92
Working Capital (ASB & BNZ)	30	5
Less Cash		(8)
Net Corporate Borrowings	160	89
Corporate and Property Funding Capacity		71

Borrowings by asset class (\$M)



- Two additional funders, one bank and non-bank, brought into funding mix bringing further diversification and capacity.
- New securitisation warehouse created for new funders (\$100M), Fitch AAA rating achieved as part of transaction process.
- Inventory funding broadened to provide flexibility for local purchasing as well as imports.
- Corporate funding capacity sufficient to fund committed branch expansion plans in Auto Retail.

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Adrian Orr name check!

20th Aug-24 MPS Update

3. Looking forward ...



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Segment Outlook

- **Automotive Retail** – we are in a build phase over the next 18 months as a number of new sites are under development. We will continue to push hard for the transition of wholesale to retail and see upside coming from this strategy. Consumers demanding lower priced vehicles and an overall fall in demand is having the expected impact on margins. Overall sales volumes are tracking ahead of FY24.
- **Finance** – Maintaining credit discipline remains a key priority. We are seeing the expected improved performance from Oxford in FY25 as a result of lower than expected impairments and credit losses and improvements in interest margin.
- **Insurance** – Earned premium holding up very well and claims ratios stable. Contribution from direct sales expected in H2.
- **Credit Management** – Our payment bank is rebuilding as debt load increases from the tightening economic conditions and the resultant impact on consumer arrears. We are well positioned for the next stage of the NZ credit cycle.

Guidance

- **Expecting a record first half performance** with HY25 ahead of HY24.
- **On track for exceeding the \$50M NPBT goal in FY25** however there remains some obvious risks with the rate of recovery in the overall economy and consumer demand.

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Shareholder Discussion



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3. Resolutions

The logo for Turners Automotive Group is centered within a white circular graphic. The word "Turners." is written in a bold, dark blue sans-serif font, with a period at the end. Below it, the words "Automotive Group" are written in a smaller, lighter blue sans-serif font. The background of the slide features a blue gradient with a curved white line and a photograph of a blue SUV parked on a sandy beach near the ocean under a cloudy sky.

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Resolutions

ORDINARY RESOLUTIONS:

Resolution 1

That Baker Tilly Staples Rodway be reappointed as auditor of the Company and that the Directors be authorised to fix the auditor's remuneration.

Resolution 2

That Antony Vriens, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.

Resolution 3

That Alistair Petrie, who retires by rotation and has offered himself for re-election, be re-elected as a Director of the Company.

Voting

Resolution: Proxies	FOR	AGAINST	PROXY DISCRETION
1. Auditor's reappointment / remuneration	19,161,313	443,501	2,492,057
2. Re-election of Antony Vriens	19,564,185	3,737	2,525,433
3. Re-election of Alistair Petrie	18,177,952	1,391,536	2,525,433

Total proxies received in respect of 22,096,871 shares representing 24.8% of total shares on issue.
Voting on each resolution will be by way of poll.

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Close of meeting

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Group CEO

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Group CFO

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