# HY25 Results Presentation

**For the six months ending 30 September 2024**

Turners Automotive Group

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1. Uncertainties relating to government and regulatory policies;
2. The occurrence of catastrophic events with a frequency or severity exceeding our estimates;
3. The legal environment;
4. Loss of services of any of the company's officers;
5. General economic conditions; and
6. 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 HY25

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# Key highlights

## Outstanding result given very challenging macro



- **Record NPBT** of $26.9M for HY25, +5% YoY despite very challenging macro environment.
- **Reaffirm Sept-24 guidance** to exceed the $50M NPBT goal in FY25.
- **Forecasted FY24 dividend** of at least 27 cents per share.
- **Profit composition changed** as expected – with Auto Retail down, Finance up.
- **Resilient used car volumes**, despite new car demand plummeting.
- **Used car pricing pressure from** March to August. Some recovery in pricing from September.
- **Finance arrears remain** significantly below industry norms.
- **Motivated team.** High levels of employee engagement and share ownership.
- **Diversified business model** and “natural stabilisers” means stable, growing profits.
- **2H25 trading expected** to strengthen across all divisions.

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# Brand investment rewarded...

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Deloitte Top 200

Finalist in Company of the Year for 2024

ma. Marketing Association

GREATEST AD CAMPAIGN OF THE LAST 50 YEARS

Tina from Turners winner of the 2020s

effie Awards Aotearoa | tvnz

Advertising Effectiveness Gold Award for Sustained Success 2024

YouTube

NZ MARKETING AWARDS 2024

NZ Marketing Award 2024 for Excellence in Long-Term Marketing Strategy 2024

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# Used car market continues to show resilience

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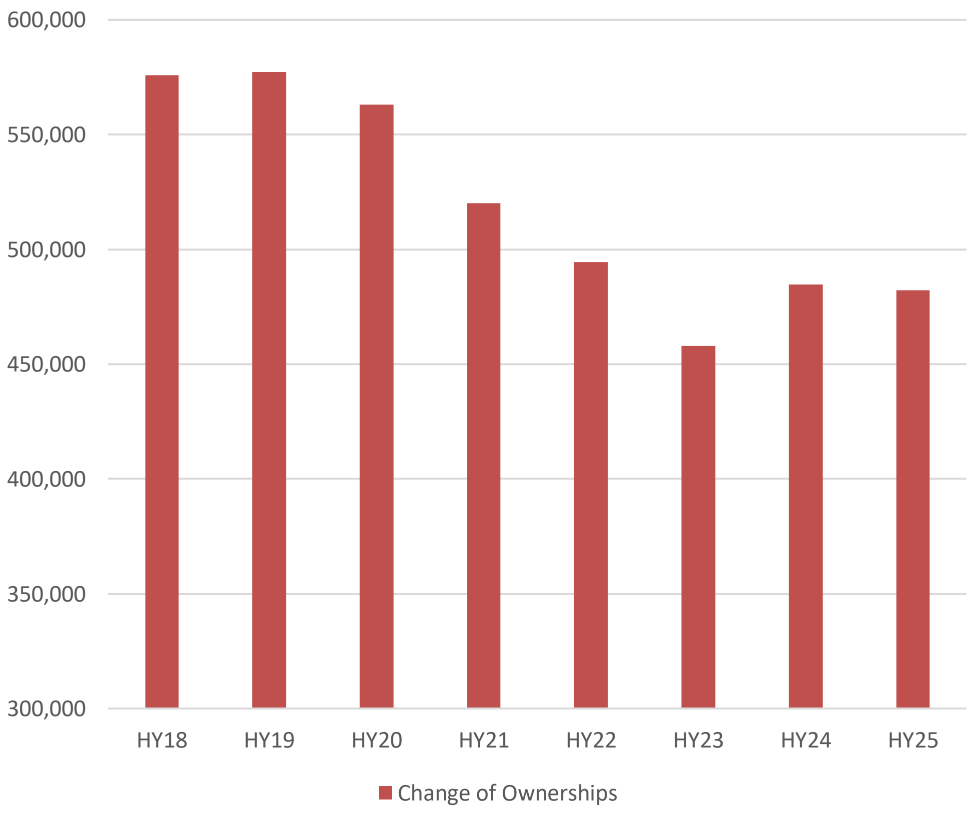
## NZ used car transaction volumes (Apr to Sep)

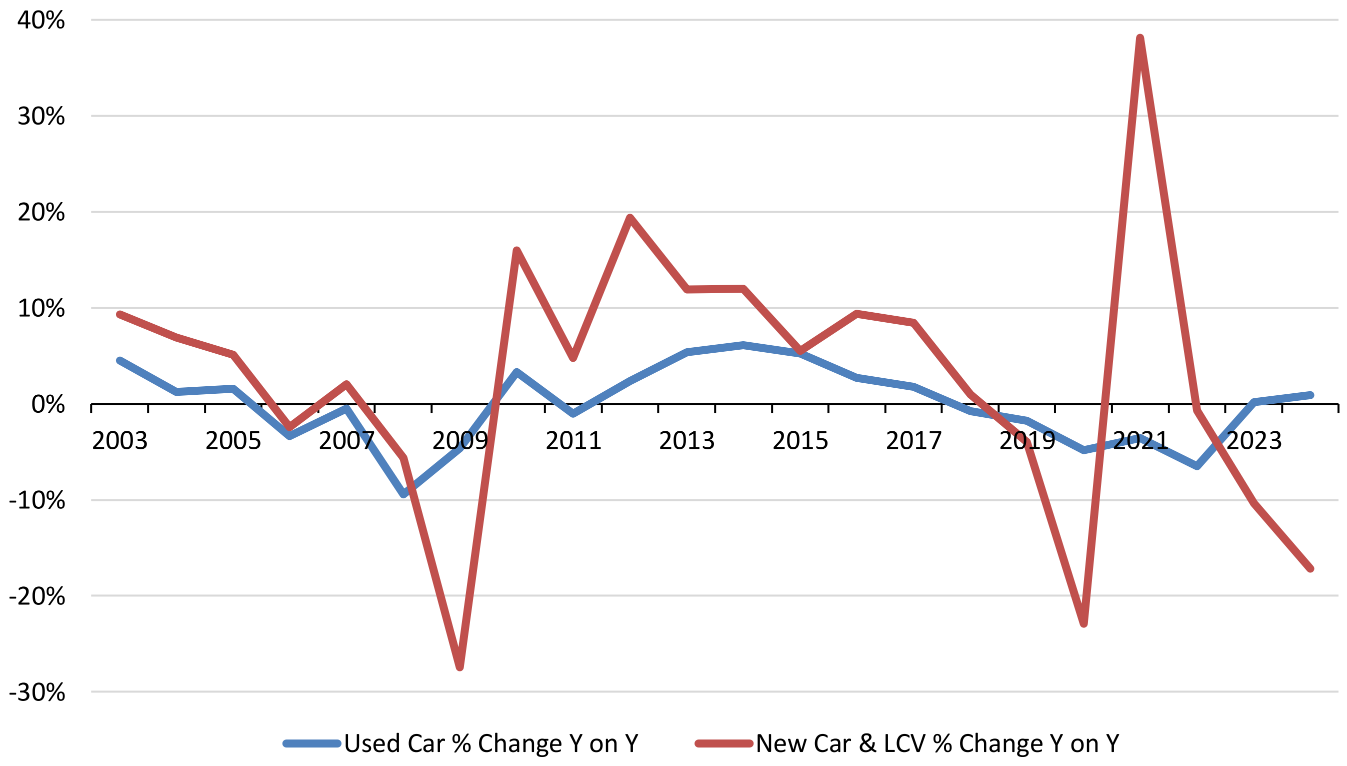



**Source: NZTA Total Change of Ownerships for Used Vehicles in NZ by HY**

- Overall used car transaction levels for FY25 YTD in-line with FY24.
- Used imports down 14% on HY23.
- Demand for higher-value cars continues to moderate. Demand for lower-value cars growing.
- Pressure on car pricing through Q1, with signs of lift in Q2/Q3.

# New car vs used car performance

## % Change Year on Year, New Car vs Used Car Sales




**Source: NZTA**

- Used car sector proving more resilient than new cars
- New car segment remains more "discretionary" and sensitive to economic cycles.
- Vehicle pricing pressure persisted through Q1 with signs of improvement in Q2/Q3

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# High engagement + ownership mindset is a powerful combination

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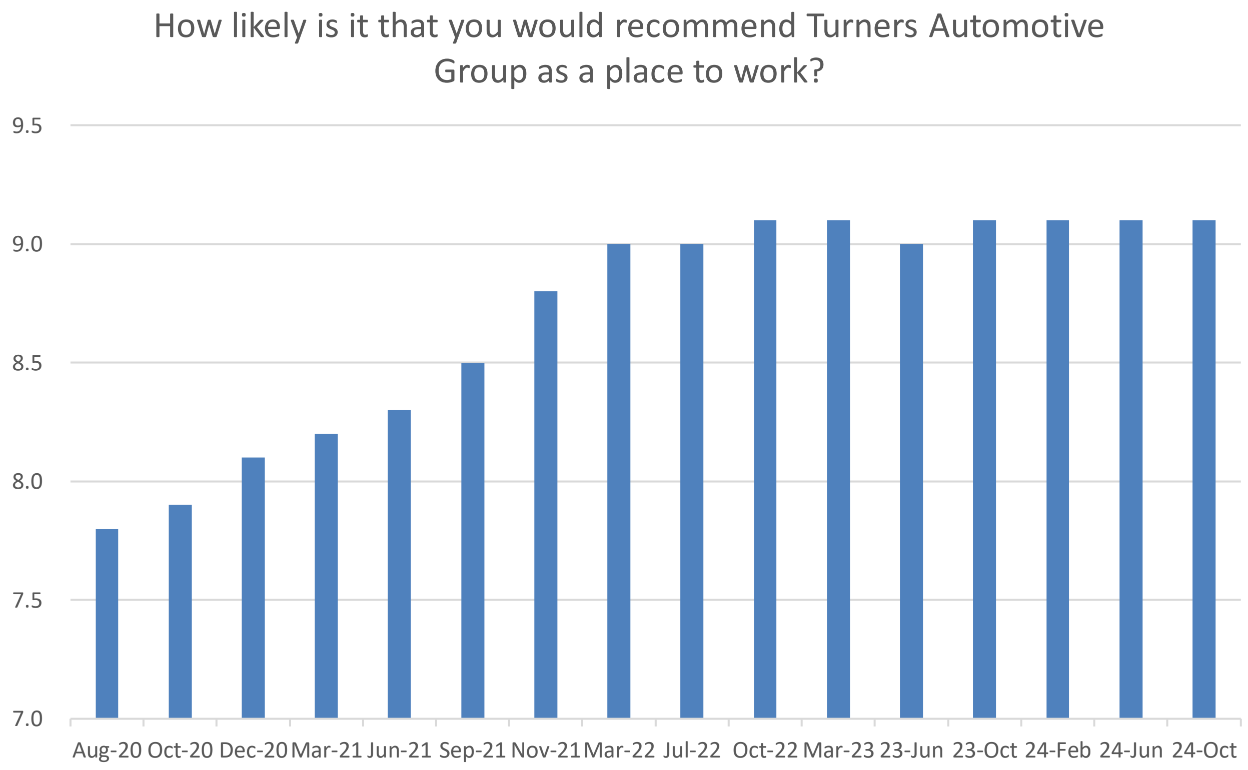
## Peakon employee engagement scores




- Across nearly 700 employees we average 9/10 on the question "How likely is it that you would recommend Turners Auto Group as a place to work?"
- Turners ranks in the top 5% of consumer businesses globally for engagement, diversity and inclusion, health and wellbeing.
- Employee Share Scheme with a 53% take up
- High engagement and an ownership mindset form a powerful combination in retention, recruitment and delivering an exceptional customer experience.

# 2 HY25 Financial Performance

# HY25 and Q3 Summary

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## Financials

- Revenue $209.0M -2%
- EBIT[1] $31.0M +3%
- NPBT $26.9M +5%
- NPAT $19.3M +4%
- Q2 dividend declared at 7.0 cps
- Earnings per share 21.8 cps +2%

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

## Key Drivers for HY25

- **Auto Retail** volume up but vehicle margins on owned stock declined as demand dropped with economy.
- Significant pricing transition from March through to July as consumer spending moderated.
- **Finance** Interest rate environment becoming a tailwind with net interest margin rebuilding.
- Finance arrears performing significantly better than market levels.
- **Earnings diversification** and business resilience demonstrated in a challenging economic environment.

## Q3 Update

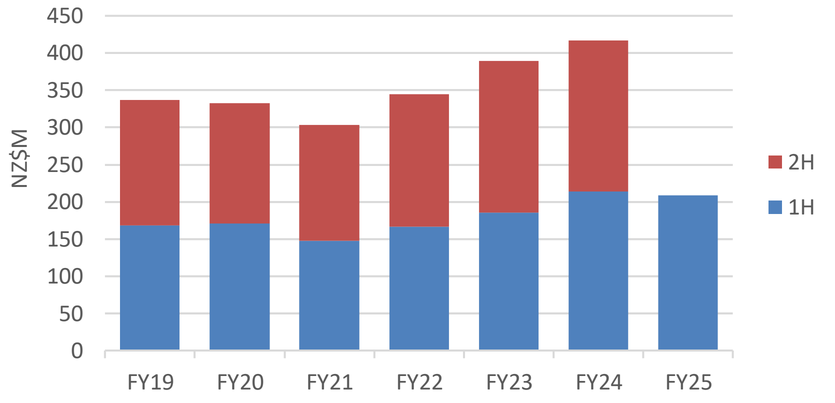
- **Auto Retail:** Volumes elevated with margins improving.
- **Finance:** Arrears continue to perform well with originations starting to lift. The benefit of easing OCR is expected in H2.
- **Insurance:** Claims continue to track below expectations, GWP holding up well.
- **Credit:** Corporate debt load recovering slower than expected, but SME debt load increasing quickly. NZ wide credit metrics continue to deteriorate which will be tailwind.

# HY25 Results snapshot

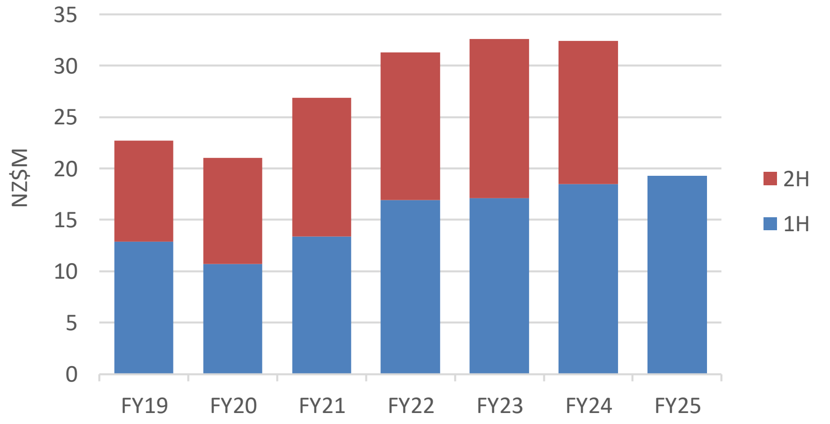
| | |
|---|---|
| Revenue<br>**$209.0M** -2% | Shareholders’ Equity<br>**$287.7M as at 30 Sept 2024** |
| EBIT[1]<br>**$31.0M** +3% | Q2 Fully Imputed Dividend 7.0 cps<br>**Projected FY fully imputed Div of at least 27.0cps +6%** |
| Net Profit Before Tax<br>**$26.9M** +5% | H1 Earnings Per Share<br>**21.8 cps**<br>(HY24 21.3 cps, +2%) |
| Net Profit After Tax<br>**$19.3M** +4% | |

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

**Revenue**




**Net profit after tax**



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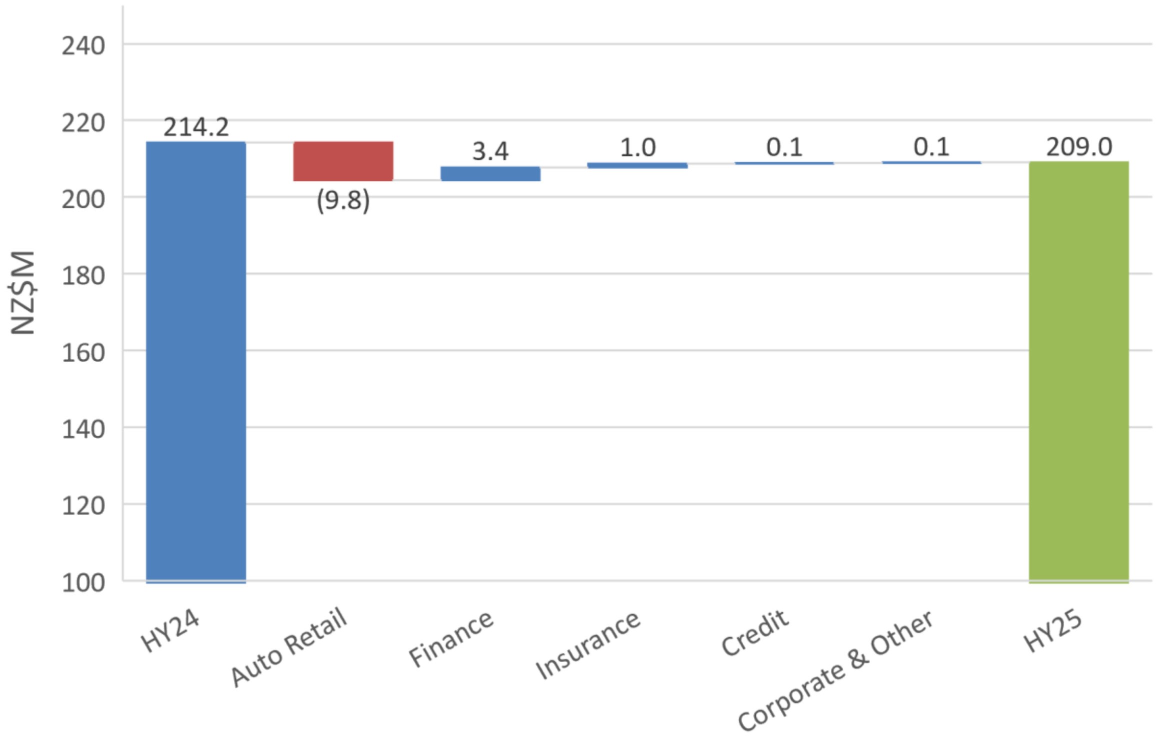
# HY24: HY25 Revenue bridge

## 2% drop in revenue, driven by market conditions in Auto Retail

### Revenue bridge HY24 to HY25




- **Revenue drop in Auto Retail** reflects shift to lower value cars and impact of lower consumer demand on vehicle pricing and margins.
- **Finance** revenue growth reflects successful repricing strategy, and growing origination.
- **Insurance** revenue gains from higher levels of policy sales and repricing.

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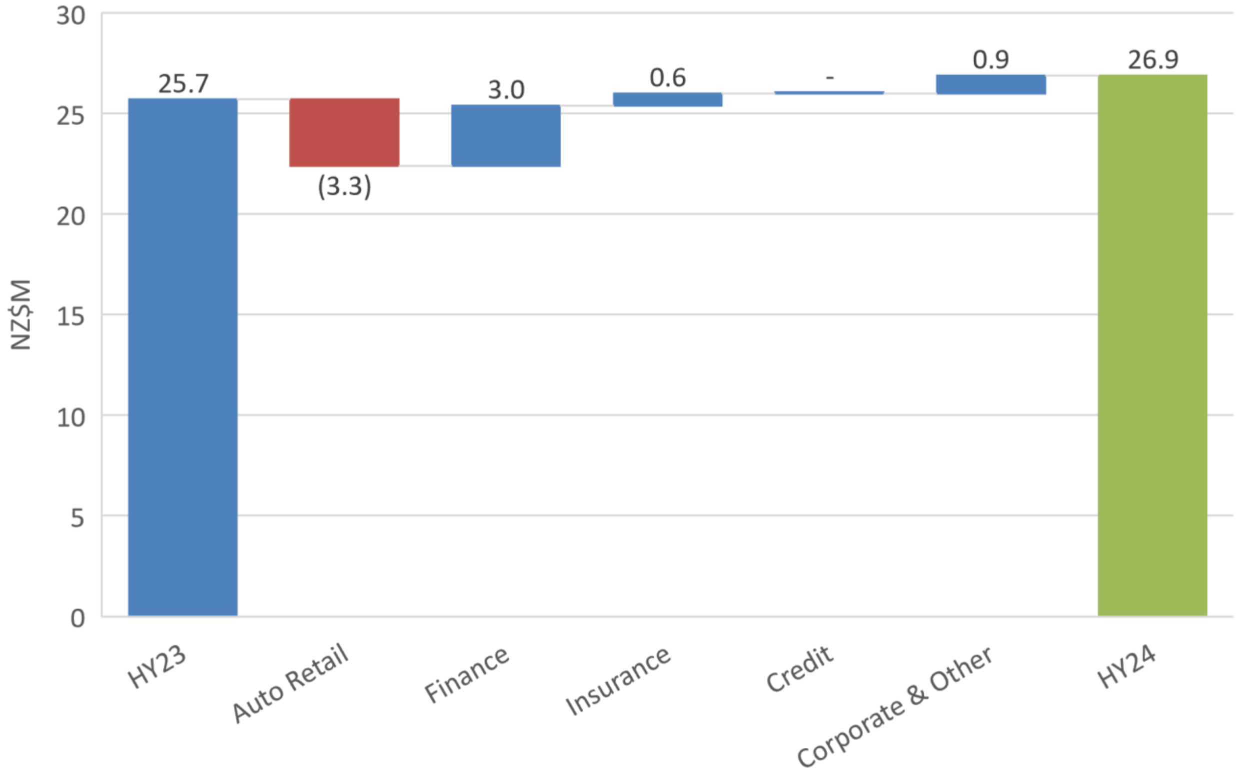
# HY24: HY25 Net profit before tax (NPBT) bridge

## NPBT increased +5% to $26.9M

### NPBT Bridge HY23 to HY24




- **Auto Retail** impacted by pressure on owned car margins in Q1 and no weather event boost. Market share improved due to an increase in volume of cars sold.
- **Finance** net interest margin expanding and originations starting to grow off market share gains.
- **Insurance** result reflects improvement in investment returns and continued efficiencies in claims.
- **Credit Management** profit flat but tailwinds of recession and worsening arrears expected to increase debt load.
- **Corporate** costs have decreased due toi lower interest rates.

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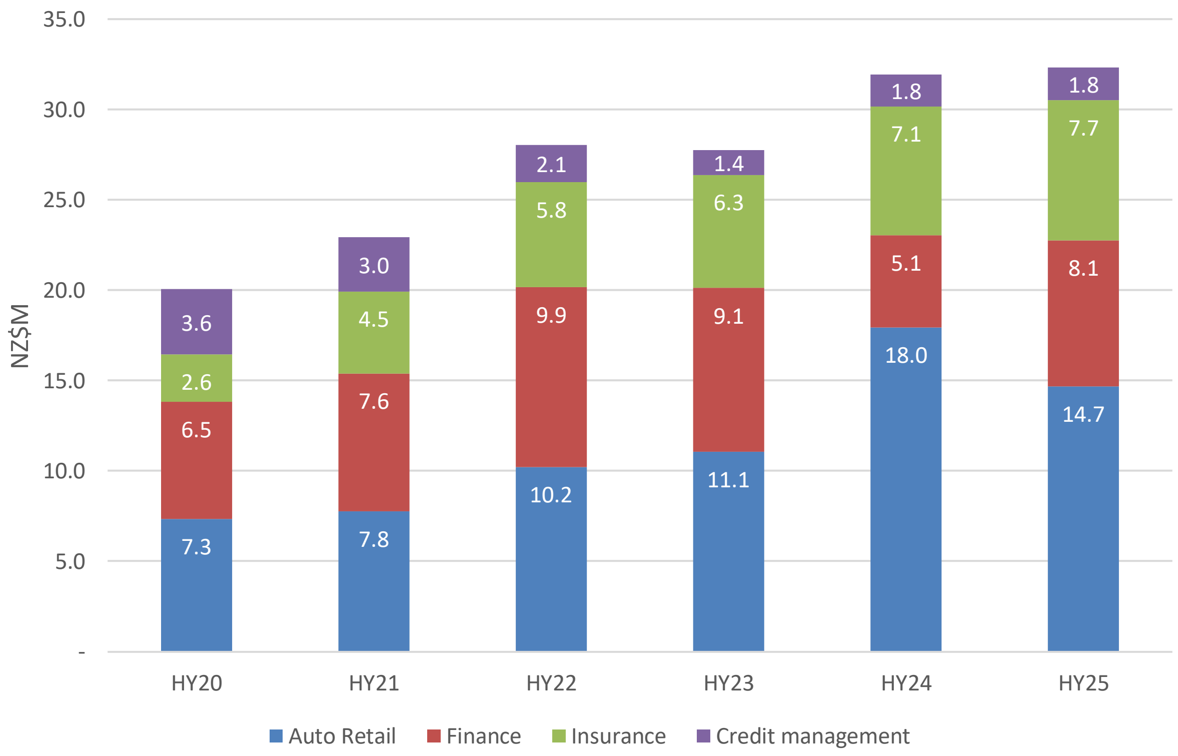
# The business has a diverse and resilient earnings base

## Operating profit contribution by segment ($M)




- **Auto Retail** impacted by pressure on owned car margins in Q1 and no weather event boost, but still largest contributor to overall group profit at 45% .
- **Finance** profits rebuilding as interest margin rebuilds and contributes 25% of group profits
- **Insurance** is consistently growing and contributes 24% of group profits
- The mix of activity-based and annuity businesses provides earnings diversification that supports stability during challenging times.

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# Growing dividends for almost a decade

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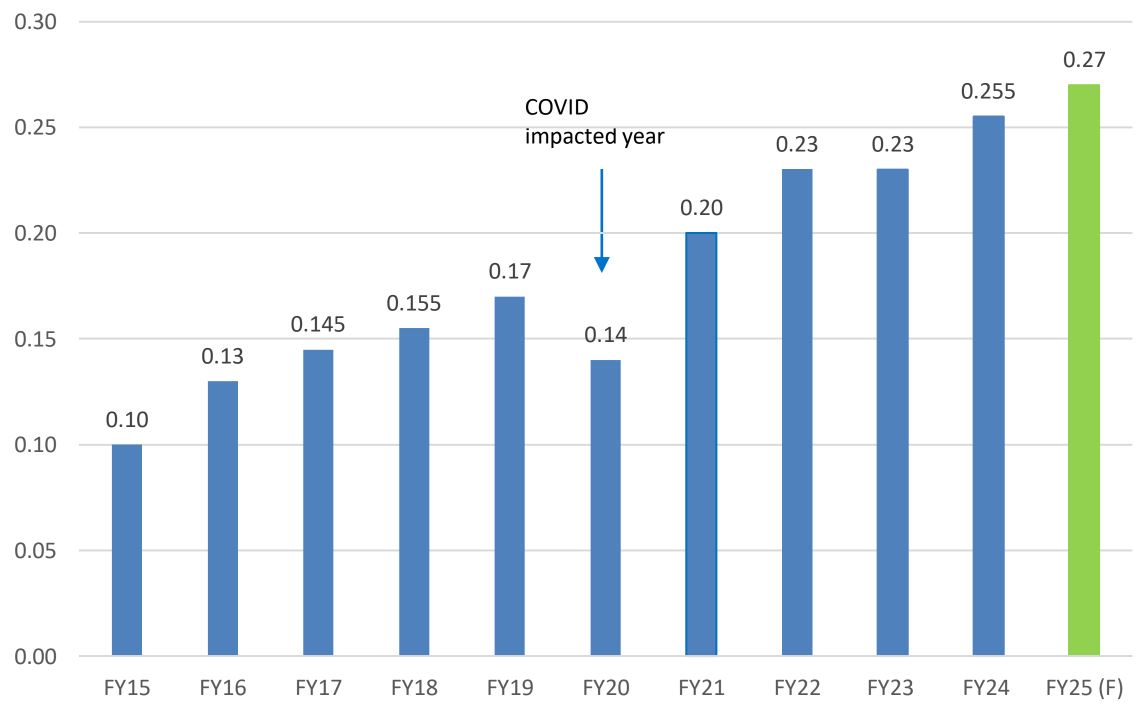
## Dividend cents per share ($)




**Note - Dividends fully imputed from FY17 onwards**

- Proven track record of delivering consistent and growing dividends.
- Dividend payout ratio is 60-70% of NPAT.
- Quarterly dividend payments are in place.
- Q2 fully imputed dividend declared at 7.0 cps
- Based on the projected "at least" 27.0 cents per share dividend and a share price of $4.50 this is a gross yield of 8.3% pa.
- Our Dividend Reinvestment Plan (DRP) will continue.

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# Robust balance sheet

| NZ$M | HY25 | HY24 |
|---|---|---|
| Cash and cash equivalents | 16.7 | 12.7 |
| Financial assets at fair value | 72.7 | 67.5 |
| Inventory | 16.1 | 23.8 |
| Finance receivables | 430.9 | 420.9 |
| Property, plant and equipment | 130.3 | 109.1 |
| Other Assets | 25.8 | 36.7 |
| Right of use asset | 19.9 | 20.8 |
| Intangible assets | 163.1 | 163.4 |
| **Total Assets** | **875.5** | **854.9** |
| Borrowings | 425.6 | 417.4 |
| Trade & other payables | 47.4 | 49.2 |
| Deferred tax | 14.8 | 12.1 |
| Insurance contract liabilities | 61.1 | 60.1 |
| Lease liabilities | 23.9 | 25.6 |
| Other Liabilities | 15.0 | 10.9 |
| **Total Liabilities** | **587.8** | **575.3** |

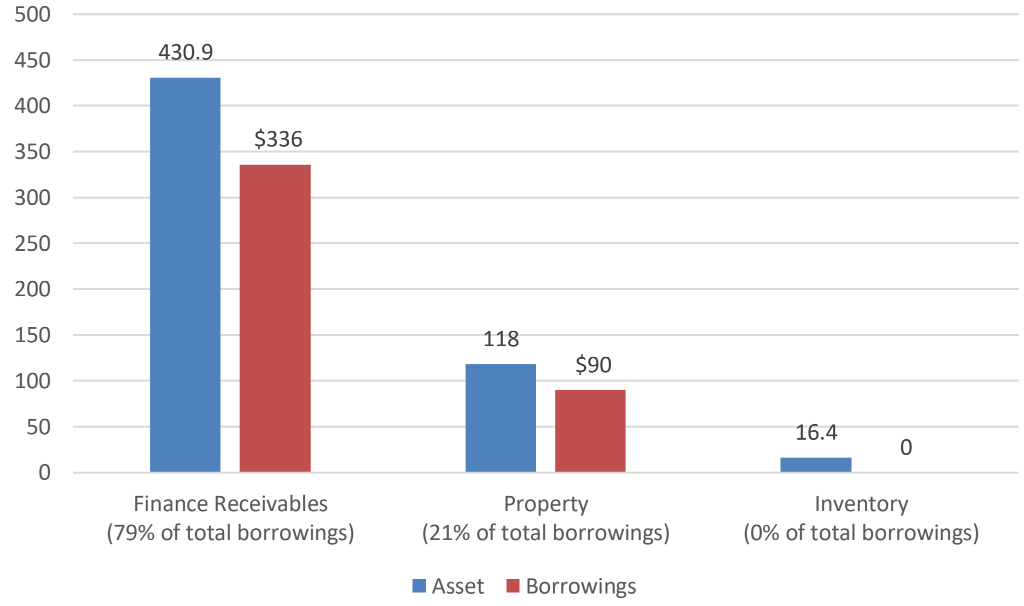
- Inventory levels are down due to tight supply conditions and a deliberate strategy to acquire lower priced cars to reflect market demand.
- Finance receivables have increased slightly due to higher premium lending volumes, with priorities remaining on quality and margin over loan book growth.
- Property, plant and equipment increase due to acquisition and development of new sites in Napier, Tauranga and Christchurch.
- Borrowings have mirrored the increase in finance receivables.

# Funding mix optimised to support growth

## Borrowings

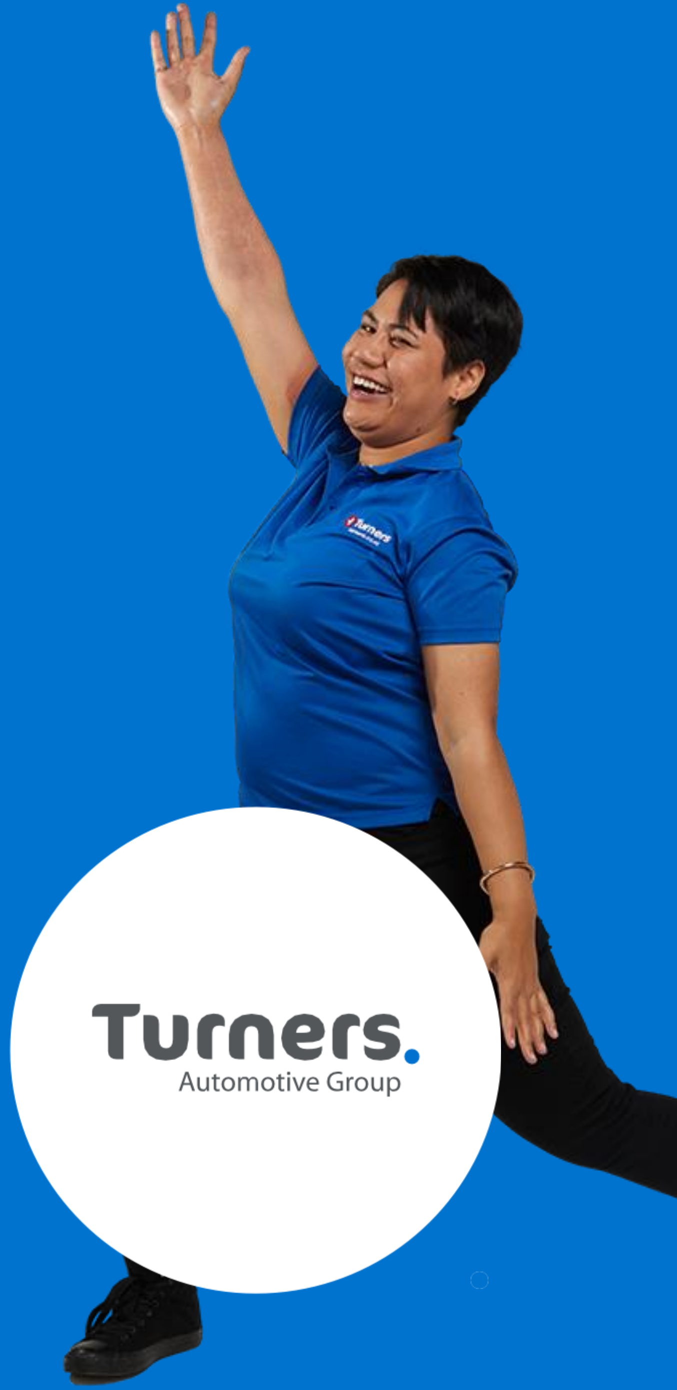
| (NZ$M) | Limit | Drawn |
|---|---|---|
| Receivables – Securitisation Trusts | 355 | 312 |
| Receivables – Banking Syndicate (ASB/BNZ) | 50 | 24 |
| Less Cash | | (9) |
| Net Receivables Funding | 405 | 327 |
| Receivables Funding Capacity | | 78 |
| | | |
| Corporate & Property | 110 | 90 |
| Working Capital (ASB & BNZ) | 20 | - |
| Less Cash | | (8) |
| Net Corporate Borrowings | 130 | 82 |
| **Corporate Funding Capacity** | | 48 |

## Borrowings by asset class (NZ$M)




- A new securitisation warehouse created for new funders ($100M ABS Trust in September 2023) has amortised down to $55M by September 2024.
- Oxford capacity is expected to support lending over the next 6-12 months.
- Corporate funding capacity is sufficient to support current committed branch expansion plans in Auto Retail.

# 3 Segment Results



# HY24 by segment



| NZ$M | Automotive Retail | | Finance | | Insurance | | Credit | |
|---|---|---|---|---|---|---|---|---|
| Revenue | 146.3 | -6% | 33.6 | 11% | 23.7 | 4% | 5.4 | 2% |
| Segment Profit | 14.7 | -18% | 8.1 | 59% | 7.7 | 8% | 1.8 | 2% |

**Note – HY25 reported NPBT of $26.9M includes corporate costs of $5.4M**

# Auto Retail Division

Strong brand
Smarter sourcing
Operational efficiency

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# Auto Retail - Summary

## Revenue 146.3M -6%, Segment Profit $14.7M -18%

- Increased market share from our enhanced brand and growing footprint.
- Margin pressure as vehicle prices dropped; however, pricing and margins have stabilised over the past two months.
- Damaged/end-of-life segment remains strong but is down compared to last year’s weather-driven demand.
- In the “build phase” for new sites that will drive future growth.
- My Auto Shop represents a compelling and highly synergistic investment.

# Line of sight on 10% market share

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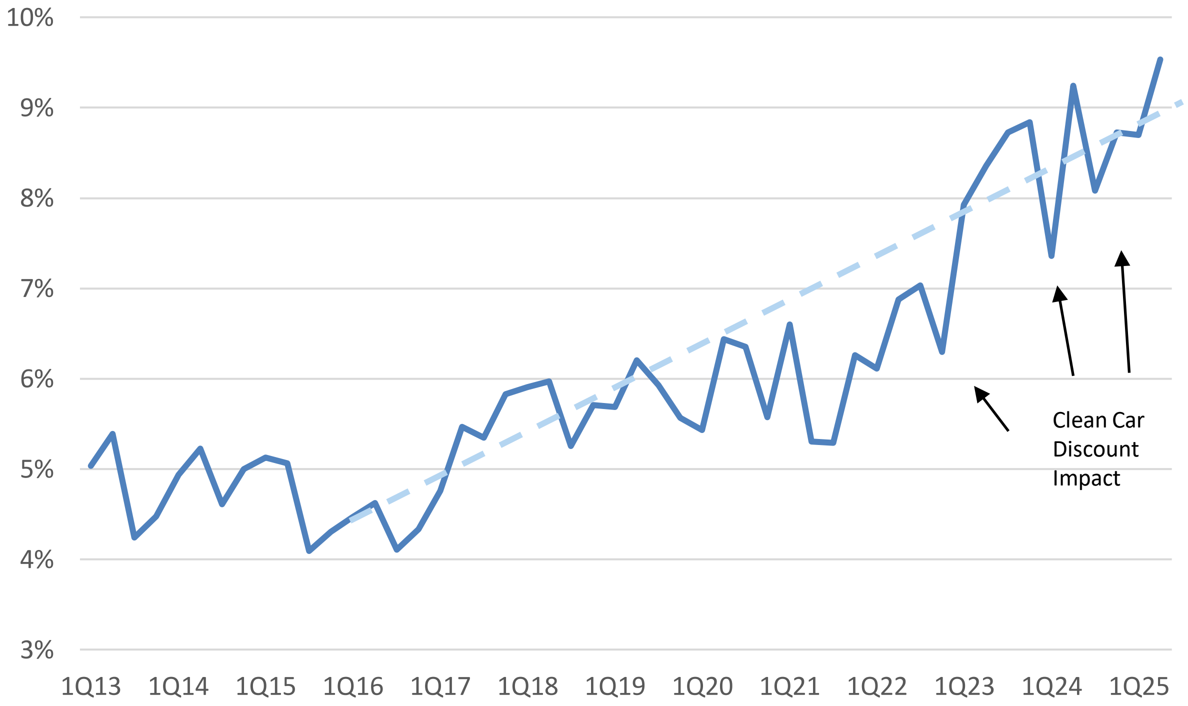
## Turners retail market share % (Quarterly)




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

- Market share has continued to grow.
- Retail (BuyNow) unit sales +9% to ~11,050, wholesale auction unit sales +3% to ~10,050 units. Same store BuyNow units +6%.
- Total "owned" units sold up 6% over HY24, overall margin on cars we own is down 28% for HY25.
- Demand for lower-priced stock remains steady, and the business continues to reposition inventory
- HY25 finance attach rates at 32% down, from 34% in HY24.

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# Transition of wholesale to retail remains a big opportunity



## SOURCING

**OWNED**

| HY24 | HY25 |
|---|---|
| 11,371 | 11,629 |
| 57% | 55% |

**CONSIGNMENT**

| HY24 | HY25 |
|---|---|
| 8,549 | 9,506 |
| 43% | 45% |

Turners Cars

## SELLING

**RETAIL**

| HY24 | HY25 |
|---|---|
| 10,102 | 11,048 |
| 51% | 52% |

**WHOLESALE**

| HY24 | HY25 |
|---|---|
| 9,818 | 10,087 |
| 49% | 48% |

- BuyNow units increased by 9% to 11,048 in HY25.
- Lease unit BuyNow percentage rose to 38% in 1H25 from 33% in 1H24.
- For each additional vehicle sold through retail (excluding auction), Turners generates an additional $1,000 per vehicle in revenue.
- We have generated more owned stock, and we are increasing our retail percentage and capacity through branch expansion.

Note – Additional "owned" sales through Damaged and End of Life Vehicle Division 1,239 HY24 and 1,876 HY25

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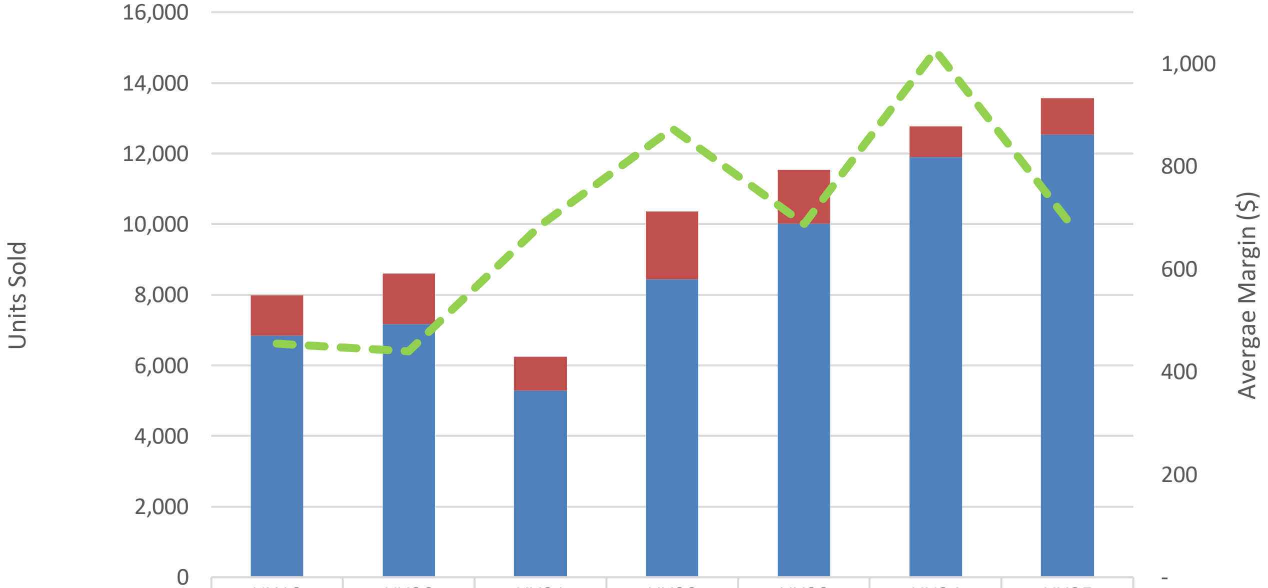
# Agile sourcing strategy driving additional sales

## Average margin[1] ($) and units of “owned” vehicles sold




| | HY19 | HY20 | HY21 | HY22 | HY23 | HY24 | HY25 |
|---|---|---|---|---|---|---|---|
| Import Units Sold | 1,143 | 1,443 | 951 | 1,915 | 1,530 | 859 | 1,034 |
| Local Units Sold | 6,847 | 7,167 | 5,290 | 8,443 | 10,015 | 11,904 | 12,538 |
| Average Margin ($) | 455 | 440 | 686 | 873 | 688 | 1,026 | 695 |

Local Units Sold　Import Units Sold　Average Margin ($)

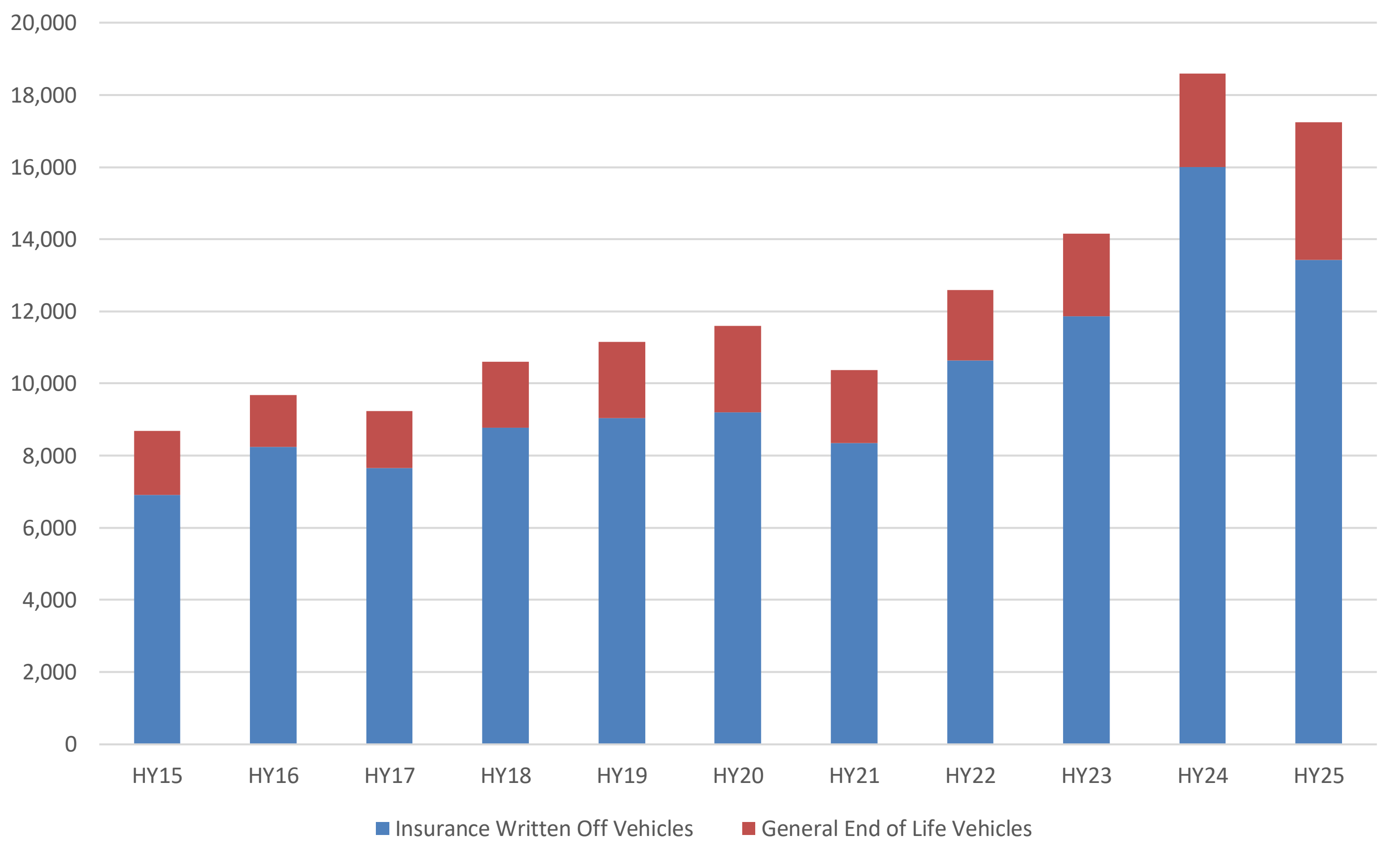
[1] **Cost price of inventory excl GST**

- Pressure on vehicle pricing and margins during Q1, with strong signs of recovery through second half of Q2 and early part of Q3.
- We continue to position stock acquisition to align with areas of strongest market demand through our use of data analytics.
- Average BuyNow sales price for 'owned stock' decreased by 11% in 1H25 to $11,600.

# DEL volumes down with no material weather events



## Damaged and end of life (DEL) vehicle units sold through Turners




- HY24 had a one-off impact from Cyclone Gabrielle. HY25 damaged vehicle (DEL) unit sales declined by 8% to 17,250 due to the absence of a one-off large weather event spike in written-off vehicles.
- The overall trend shows increasing flows of damaged and end-of-life vehicles from New Zealand's aging fleet.
- Twenty percent of the NZ vehicle fleet are more than 20 years old.

# Entering a "build" phase for next growth push

More opportunities to purchase sites at attractive valuations (stage of interest rate cycle).

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## Committed development pipeline

| Location | Branch | Size | Timing | Expected additional profit contribution |
|---|---|---|---|---|
| *Timaru (COMPLETED)* | *Cars* | *4,000m2* | *Q4 FY24* | *$500k* |
| *Napier (COMPLETED)* | *Cars* | *8,000m2* | *Q4 FY24* | *$500k* |
| Tauranga – Tauriko *(COMPLETED)* | 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 |

[1] additional 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 $118M

# myautoshop



**Turners have invested $3.35M for 50% of My Auto Shop.**

- Vehicle repair platform with 300+ MTA approved repairers plus a fleet of My Auto Shop branded mobile repair vans.
- The goal is simple, to make vehicle repairs easier.
- Turners supports growth by integrating My Auto Shop into its Auto Retail network, creating significant synergies by conducting servicing work onsite at Turners branches.
- After just five weeks of ownership, My Auto Shop has opened in Hamilton, Tauranga, Wellington and grown FTE count by 50%.
- Confidence is building around a significant opportunity to develop a scaled player in the $3b, highly fragmented auto repair market.

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# Finance Division

## Weathered the interest rate shock
## Credit quality continue to improve
## Benefiting from Turners market share growth

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# Finance - Summary

## Revenue $33.6M +11%, Segment Profit $8.1M, +59%

- Total ledger is growing again.
- Quality has now been stress-tested. Arrears are substantially below industry norms.
- Quality continues to improve with credit scores lifting and reduced commercial lending.
- Net interest margin is expanding as OCR shifts from headwind to tailwind.
- Increased percentage of Turners “controlled” lending.

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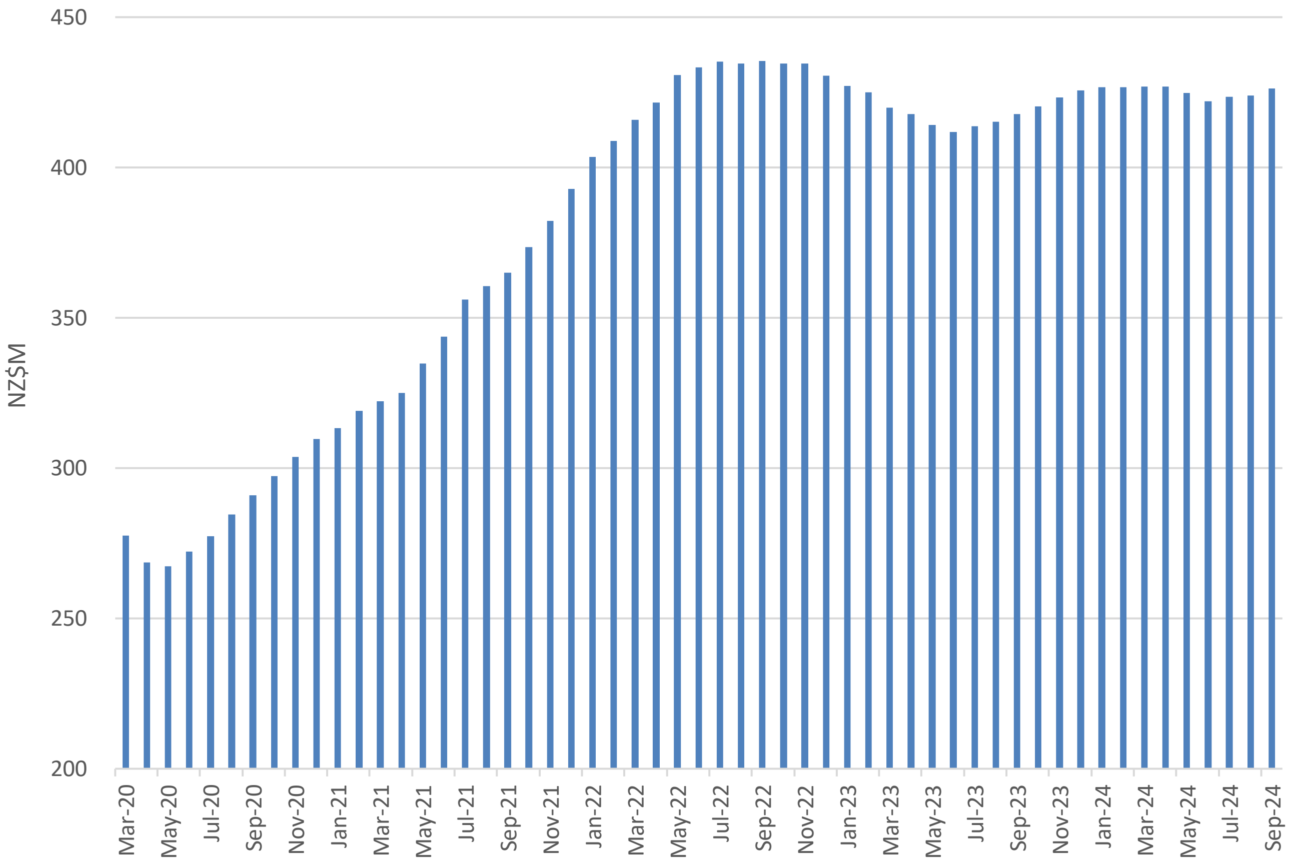
# Lending book starting to grow again

## Receivables by month (excl. impairments)




- Despite industry contraction, the total ledger has increased to $430.9M, from $418M in September 2023.
- Consumer lending has increased while commercial lending has decreased. Credit policy has been tightened to focus on cars, vans, and utes, moving away from trucks and machinery lending.
- Turners "controlled" lending ledger up to $98M from $86M.
- Weighted Average Interest Rate (WAIR) on the ledger is 13.5%, up from 12.4% in September 2023.
- Increased conversion rate from application to paid-out loan, demonstrating positive operating leverage.

# Arrears well below industry due to quality lending

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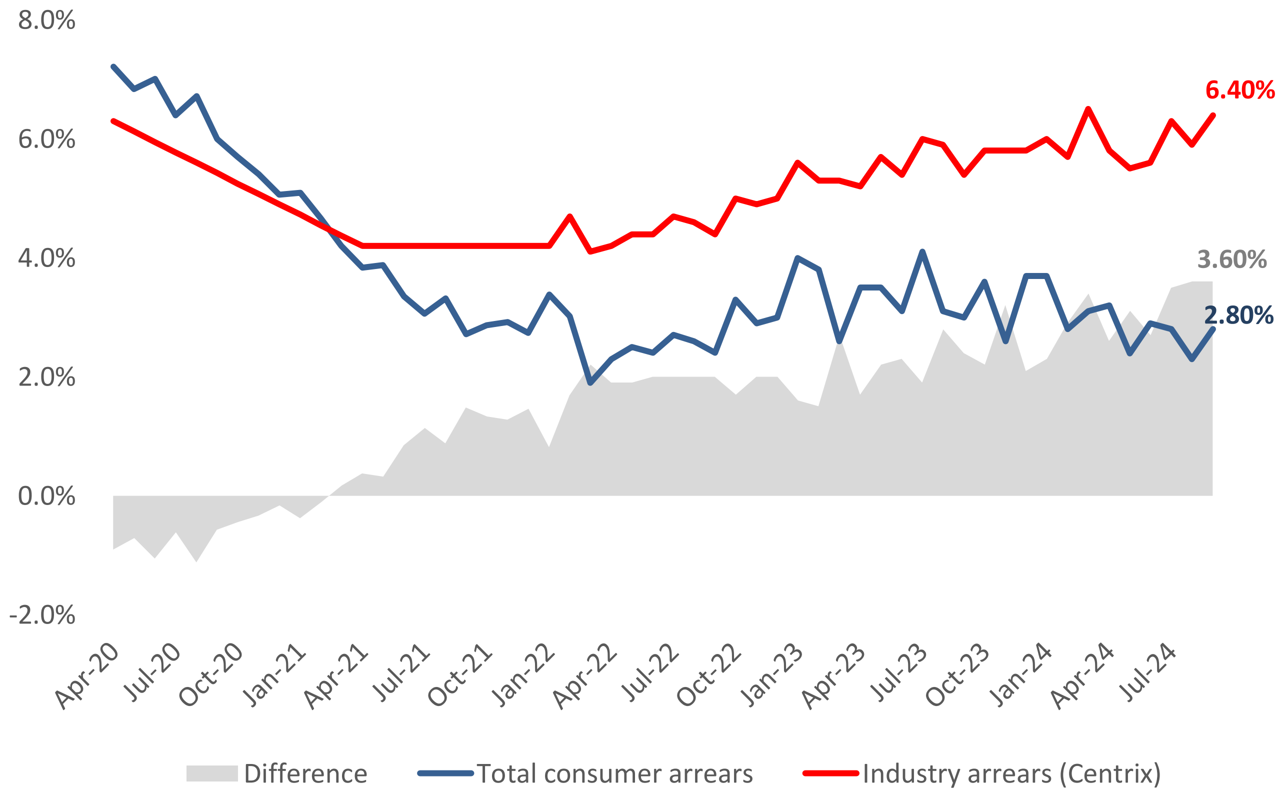
## Consumer arrears vs auto-loan industry (Centrix)




- Loan arrears continue to perform materially better than market data (see chart at left).
- Hardship applications have consistently increased through CY24, peaking in August 2024. Applications have since dropped.
- Total arrears are at 3.1% down from 3.2% at HY24.
- We have set aside a material buffer of $2.1M, above BAU arrears provisioning, to allow for further economic uncertainty.

| Hardship | As at HY25 | As at HY24 | COVID peak in FY22 |
|---|---|---|---|
| Number | 108 | 50 | 511 |
| % of total customers | 0.4% | 0.2% | 2% |
| Balance (NZ$M) | 2.2 | 1.0 | 12.2 |

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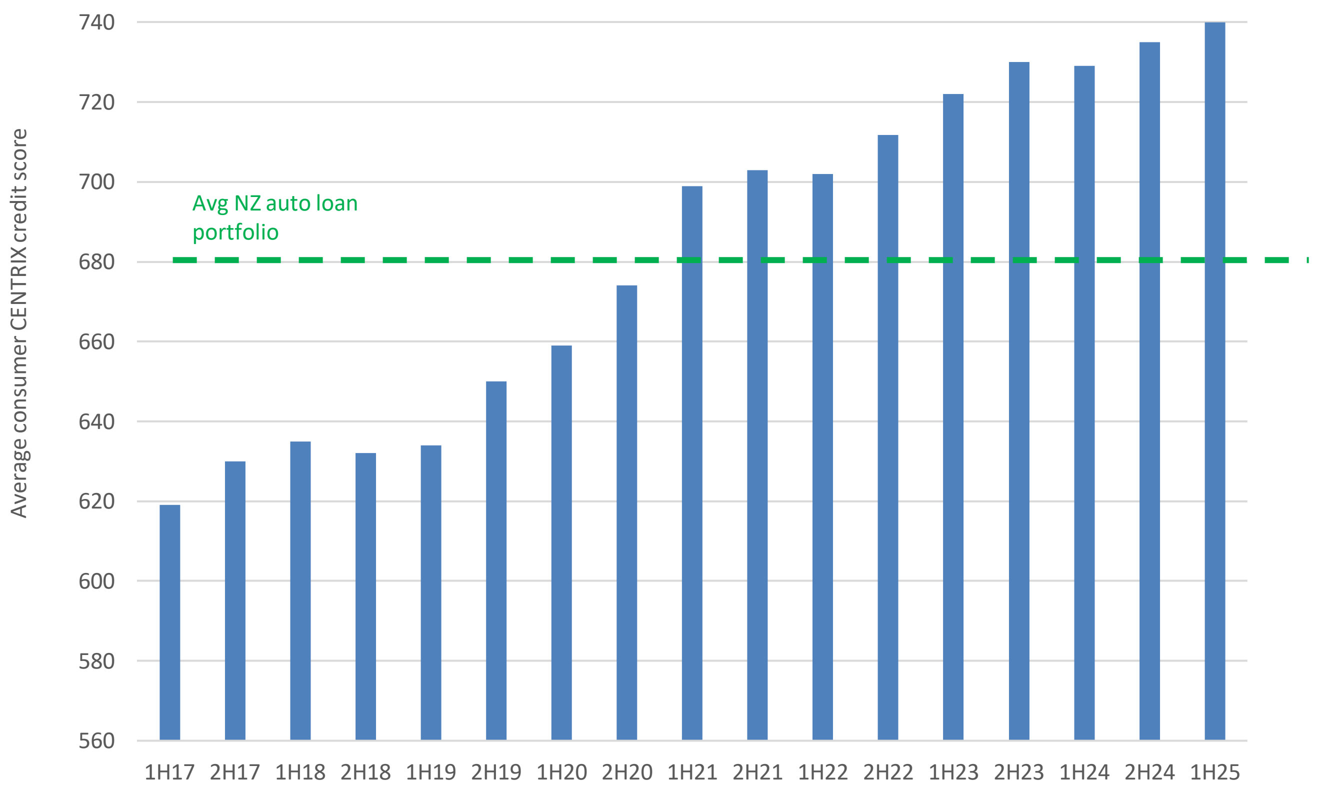
# Underwriting quality continues to improve



## Average Centrix credit score for loans on-boarded




- In September 2024 Premium Tier lending (CCR score of 735+ made up 60% of our new lending.
- Our credit policy has continually been refined over the last 18 months.

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# Net interest margin (NIM) on the rise

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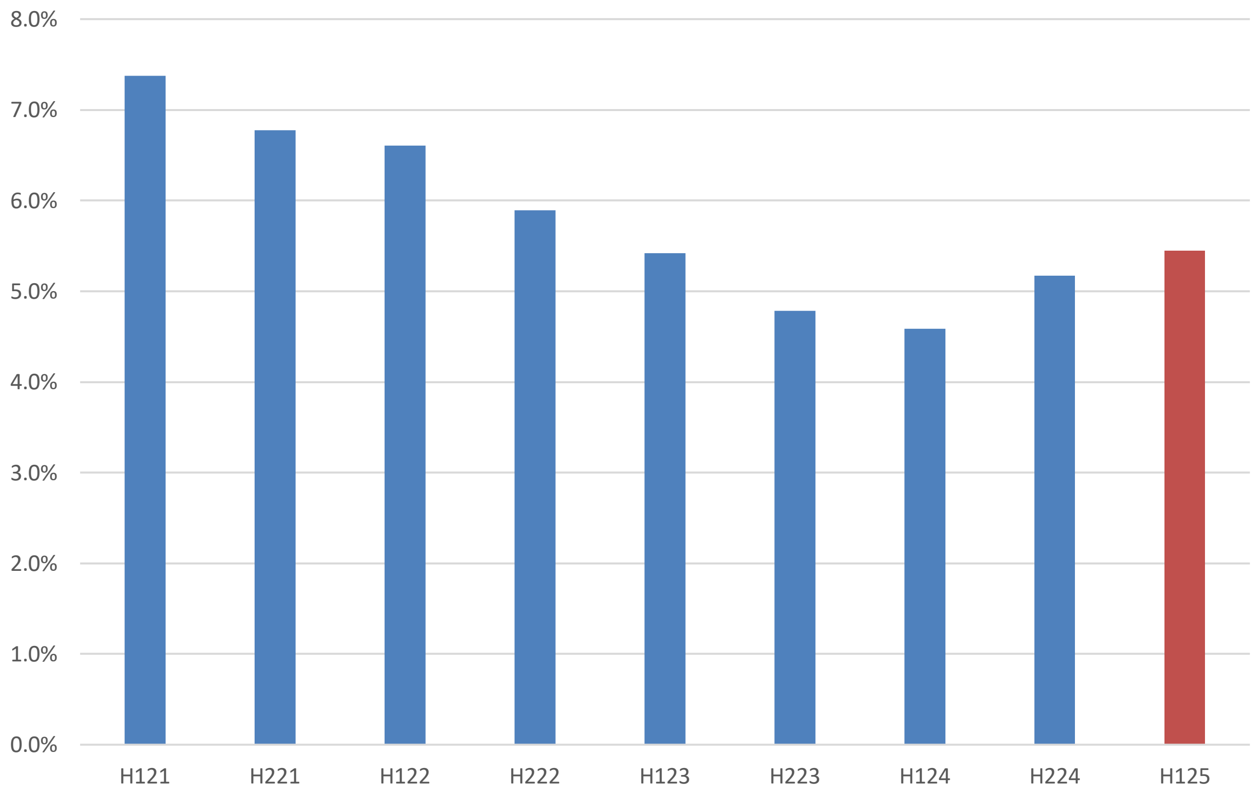
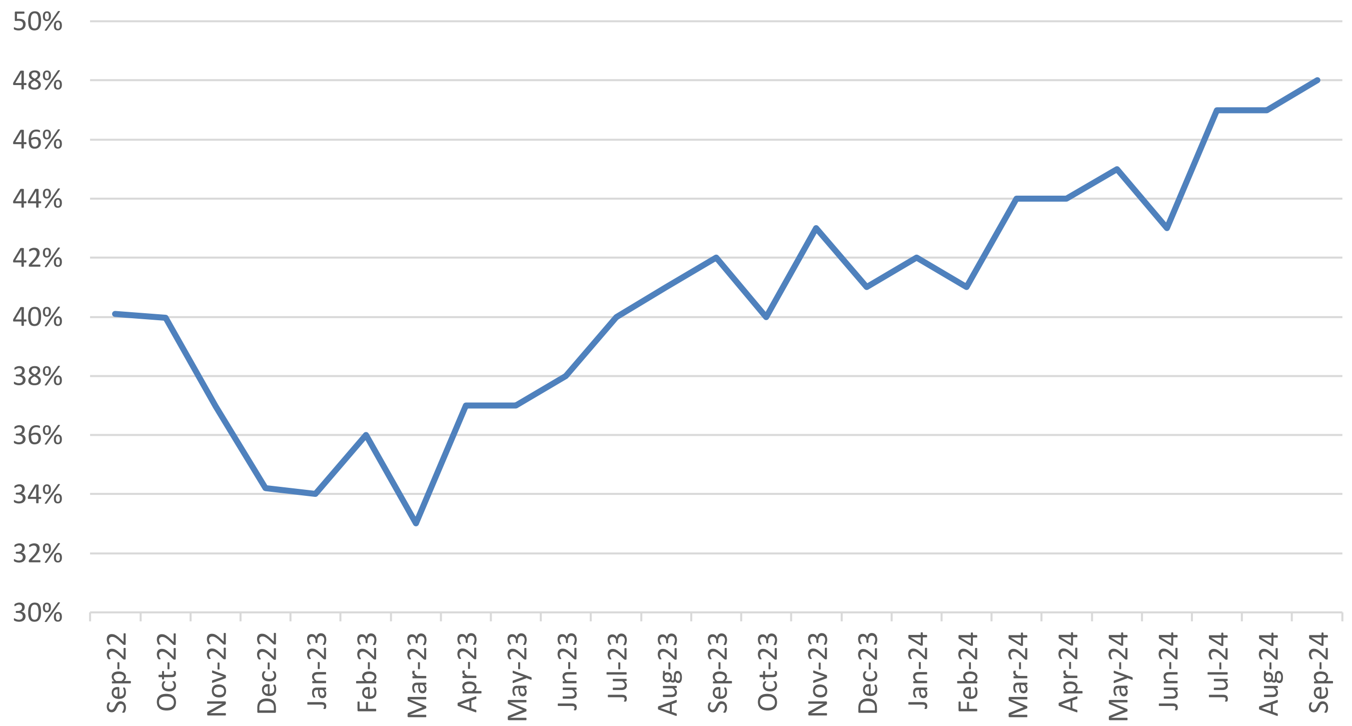
## NIM % (after originator commission)




- NIM has stabilised and now returned to expansion, with rate headwinds starting to turn into tailwinds.
- The heavy lifting on pricing done over last 18 months is paying off
- The pace of recovery is expected to be slower than the pace of decline.
- The hedged portion of Finance borrowings has increased to  approximately 80%.

# Improving conversion demonstrates operating leverage

## Opened loans as a percentage of total applications (above 500 CCR)




- Cost to income ratio has reduced from 68% to 62%, as a result of operational efficiency gains
- Loan conversion rates have increased +15% in HY25 vs HY24
- This improvement was driven by system enhancements, process adjustments and improved lending quality

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# Insurance Division

Stable and consistent business
Distribution networks strategically important
Digital direct platform live

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# Insurance - Summary

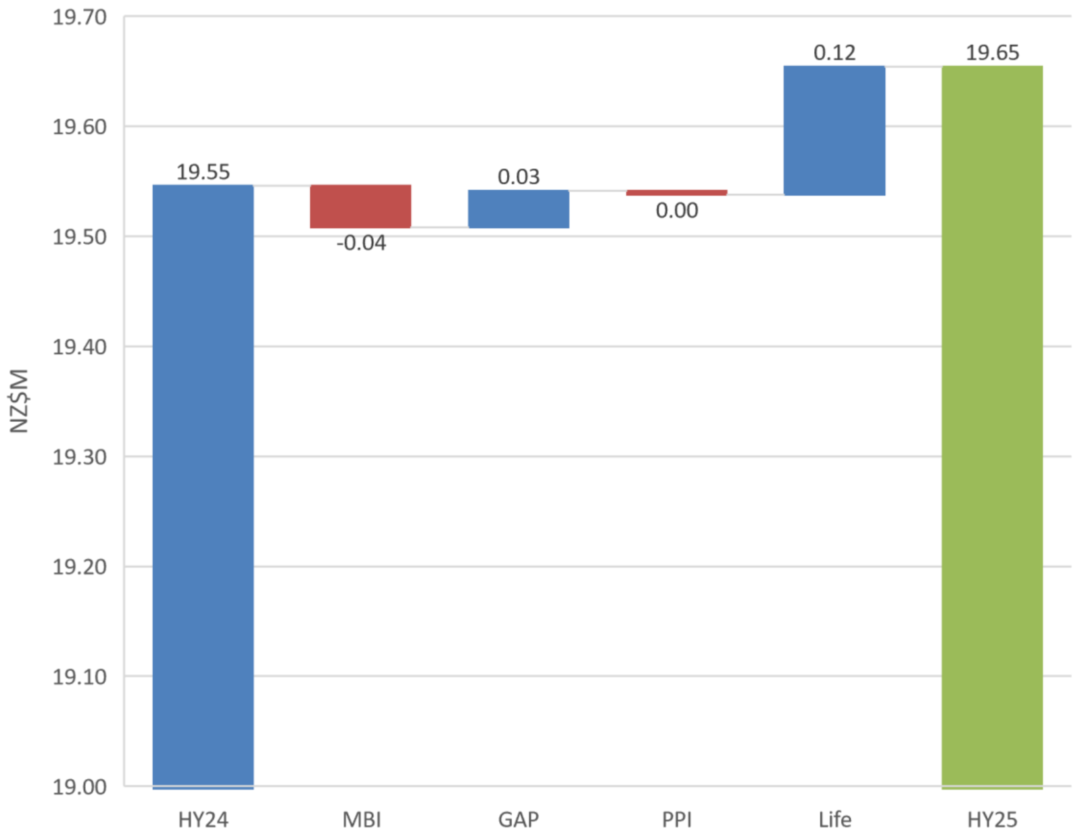
## Revenue $23.7M +4%, Segment Profit $7.7M, +8%

- Gross Written Premium (GWP) remains flat, but margins are improving.
- Claims ratio is being well managed.
- Claims cost inflation has eased.
- The digital direct platform has launched and offers substantial upside over time.
- Distribution strategy focuses on a high-growth, high-margin MVI premium portfolio.

# Earned premium lifting and margins improving



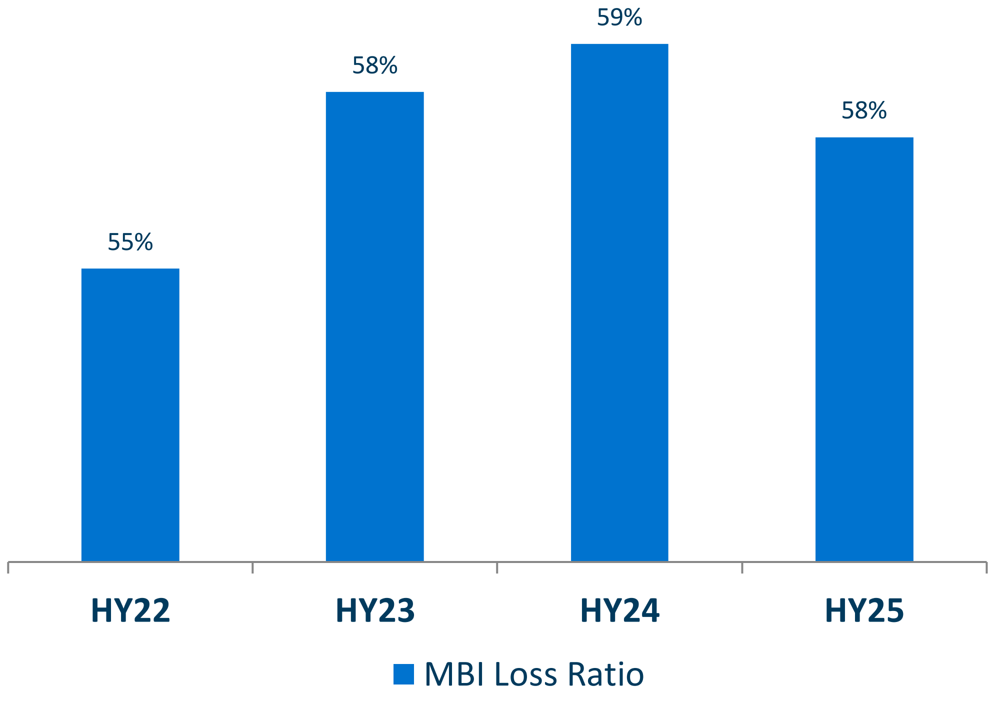
**Earned Premium HY24 to HY25 ($000's)**



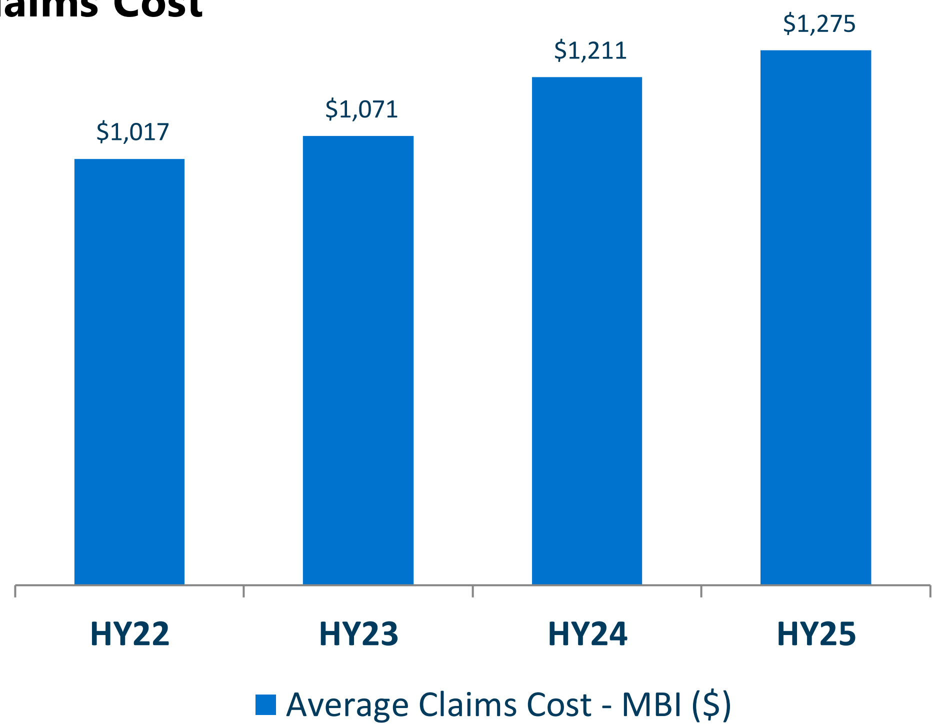

- Gross written premium (GWP) remains flat at $20.6M for HY25 with Earned Premium (GEP) up slightly at $19.7M v $19.5M for HY24.
- Total overheads decreased by $300k to $4.3M, investment income up $400k to $1.9M, overall claims costs flat HY25 v HY24.
- On track to meet regulatory requirements under COFI.
- Risk pricing is becoming more sophisticated. Leading to improving claims ratios and quality of the portfolio.
- Significant progress in distribution with digital direct platform launched in partnership with NZ AA.
- MVI premium portfolio with Vero NZ is now at $35M pa and growing at ~40% pa.
- Interest rate easing cycle is expected to become a headwind for insurance.

# Claims are being well managed

### Mechanical Breakdown Insurance (MBI) Loss Ratio Performance




### Mechanical Breakdown Insurance (MBI) Average Claims Cost




- Risk pricing remains strategically important in managing loss ratios. Autosure introduced eight new layers of risk pricing in 1H25 to enhance the sophistication and granularity of its risk pricing.

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# Credit Management Division

Business recovering
Tightening economy supports growth
Payment bank being rebuilt

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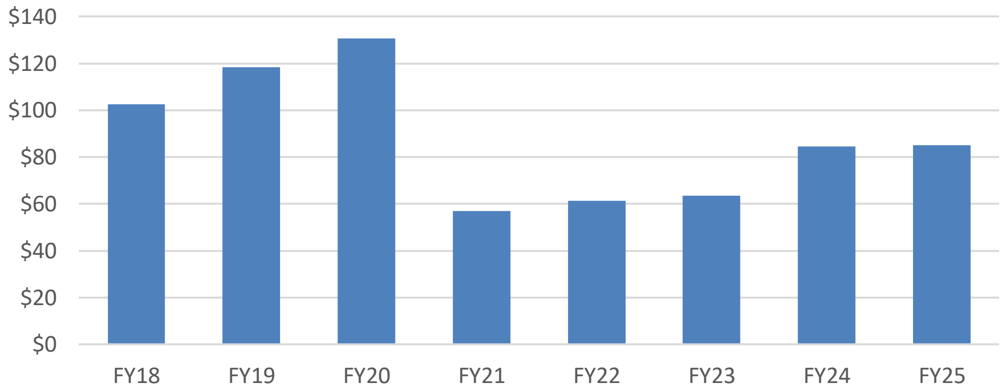
# Credit Management - Summary

## Revenue $5.4M +2%, Segment Profit $1.8M, +2%

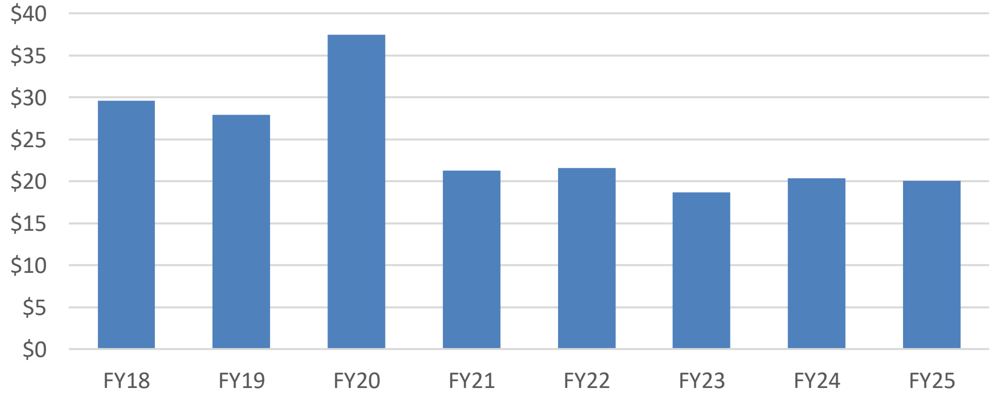
- Debt referred and collected is growing slowly.
- Our customers remain “reputation-sensitive”, though this is starting to change.
- Increasing economic pressures are expected to create a tailwind.
- Demand is growing among small businesses, where economic challenges are concentrated.

# Debt referred/collected growing, steadily

## Total debt referred for HY25 (NZ$M)




## Total debt collected for HY25 (NZ$M)

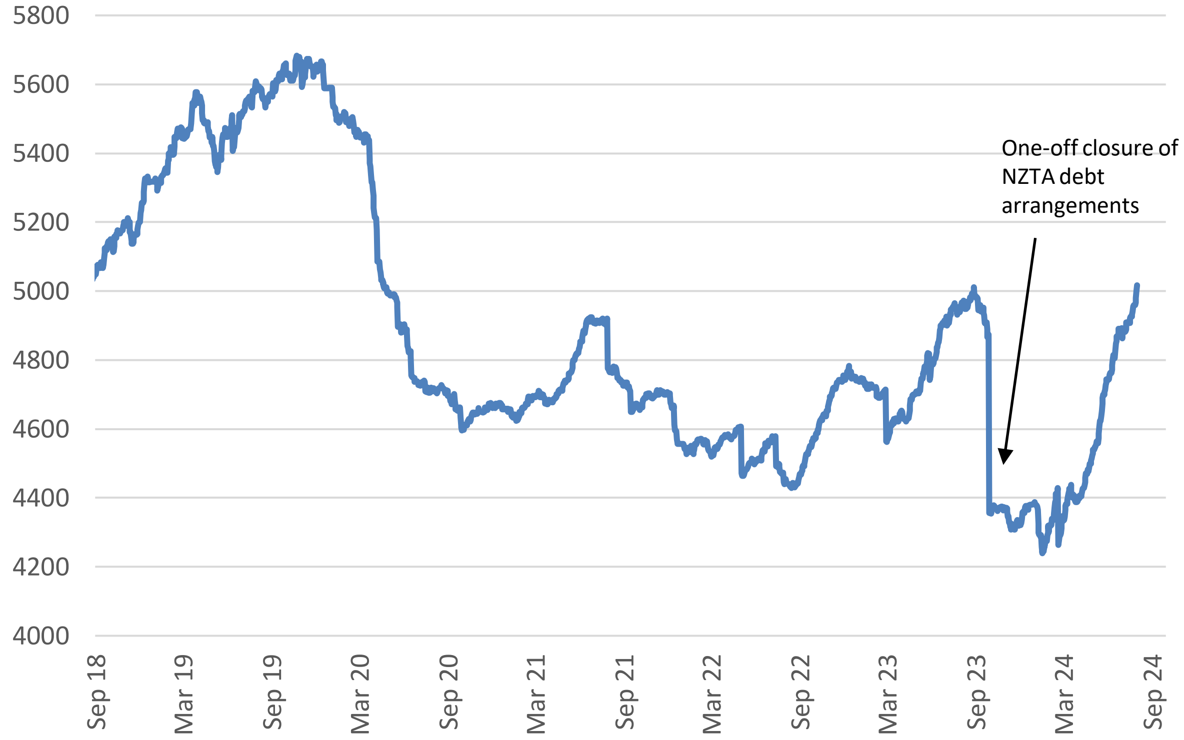



- Increase in first referral debt loaded in HY25 +19%
- Higher yielding SME clients debt loaded +22% in HY25 reflecting where recession most acutely impacting.
- Debt value collected -2% to $20M. Lower repayment amounts, extended payment arrangements due to diminished customer payment capacity.
- Tail winds from worsening economy means EC Credit in strong position to assist clients. Material increase in debt load in H2 from corporate clients.

# Payment arrangement bank rebuilding



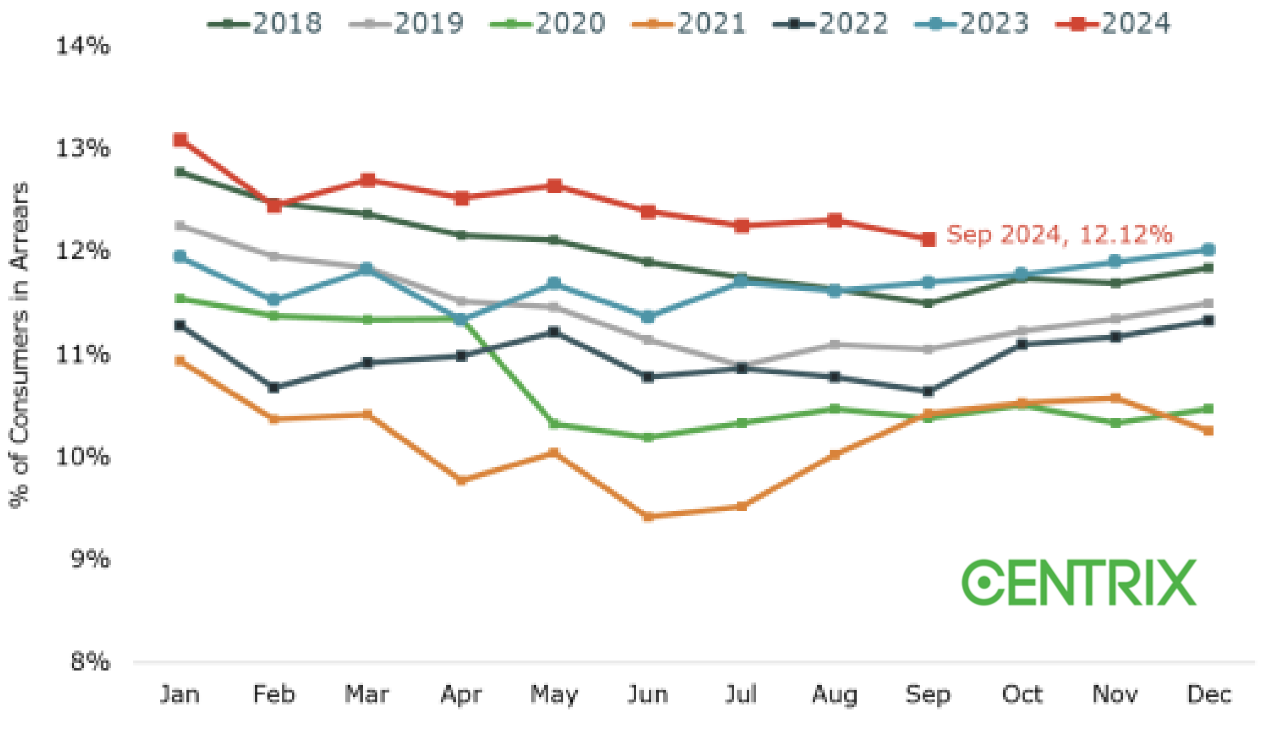
## EC Credit debts under repayment arrangement




- Total debt loaded up 2% to $85M. Driven by growth in SME of 22% to $23M.
- Cost-of-living pressures are resulting in longer settlement arrangements to address outstanding debts.
- The 'promises to pay kept' rate has improved to 77.5% from 75.4% in HY24, reflecting a robust affordability assessment process.
- The current nationwide arrears level is now tracking above 2018 levels after reaching historic lows. This trend is expected to continue worsening over the coming months.

# Tailwinds for EC Credit from deteriorating NZ wide credit metrics

## Consumer arrears trend




Source – Centrix Credit Bureau

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# 4 Outlook

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# Our key risks are narrowing…

| Challenge | Mitigation | Mar-22 | Mar-23 | Sept-23 | Mar-24 | Sept-24 |
|---|---|---|---|---|---|---|
| **Rapid increases in interest and Inflation rates** | • Diversifying funding sources<br>• Increase volume of direct lending<br>• Increase hedging<br>• Tightening cycle at or close to end | High | Medium | Low | Low | Low |
| **Recession** | • Targeting lower value cars <$15k for resale to meet where demand is<br>• Continued tightening of credit policy and conservative provisioning | High | Medium | Medium | Medium + | Medium |
| **Regulatory** | • Continue to engage constructively with regulators directly<br>• Likely to see walking back of some regulation with new government | Medium | Low | Low | Low | Low |

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# Segment Outlook

- **Automotive Retail** – we are in a build phase over the next 18 months as several 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. Vehicle pricing has stabilised and seems to be lifting in Q3 and margins improving. Overall sales volumes continue to track ahead of FY24.

- **Finance** – Maintaining credit discipline remains a key priority. We are seeing the expected improved performance in FY25 as a result of lower than expected impairments and credit losses and improvements in interest margin. Seeing growth in origination in 3Q25.

- **Insurance** – Earned premium holding up very well and claims ratios stable. Contribution from new distribution arrangements and direct sales expected in 2H25.

- **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

**We expect to exceed our $50M NPBT goal in FY25 and deliver another record full year profit result.**

Some risks remain regarding the pace of recovery in consumer demand and the speed of economic rebuild.

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# Summary…

- A very strong result despite challenging macroeconomic conditions, and on track for a record result in FY25 and set to exceed the $50m NPBT target.
- The deliberate work to strengthen the business has paid off, including investments in resilience, agile stock purchasing, branch expansion, loan book quality, and cost discipline.
- H1 has played out as expected, with profit composition changing due to previously signaled headwinds in Auto Retail (lower car margins and no weather-related boost this half), but largely offset by gains in Oxford Finance (recovering interest margins and stable-to-improving arrears).
- Trading conditions in H2 are expected to be more favourable than H1.
- The pipeline of branch expansion opportunities is growing, and the development phase of new branches is progressing well.
- A strong Auto Retail business has a positive halo effect on finance and insurance. The easing interest rate cycle serves as a tailwind for Finance and a headwind for Insurance but remains an overall positive for the group.
- Turners has created significant strength in its brand, systems, technology, and people, and we look forward to leveraging these assets to grow My Auto Shop.

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