

NZX Virtual Investor Event

May 2023

Todd Hunter – Group CEO



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- I. Uncertainties relating to government and regulatory policies;
- II. The occurrence of catastrophic events with a frequency or severity exceeding our estimates;
- III. The legal environment;
- IV. Loss of services of any of the company's officers;
- V. General economic conditions; and
- VI. 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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We love cars



History of Turners Automotive Group

Turners has been formed through the 2014 merger of New Zealand's largest vehicle and machinery retailer, Turners Auctions, and leading consumer finance and insurance business, Dorchester



1967

- Turners Auctions was established in 1967 when Turners and Growers Limited began auctioning cars and trucks alongside its fruit and produce business
- Today, Turners is New Zealand's largest auction house and vendor of second hand cars, trucks and machinery

Dorchester
Finance

DPL
Insurance

1984

- Dorchester was incorporated in 1984 as Venture Pacific Limited. The company became Dorchester Pacific Limited in 1992
- Over the following years, Dorchester developed a core financial services base through the acquisition of a number of finance companies throughout New Zealand aligned to its consumer finance and insurance strategy

Turners.
LIMITED

2014

- In 2014, Dorchester launched a successful takeover offer for Turners Auctions and consolidated its interests into a single entity that carried the Turners name
- The decision to continue the Turners brand recognised the rich history and consumer recognition attached to it

Turners.
Automotive Group

2017

- In 2017, Turners Limited changed its name to Turners Automotive Group to enable a Foreign Exempt Listing on the ASX and to reflect the focus of the group on the automotive sector

Overview of Turners Automotive Group

NZX and ASX listed business with over 50 years of heritage

700+ kiwis employed and 4,500 shareholders

FY22
\$51.9m revenue
\$18.0m profit
12% of auto loan market



Finance

**54th largest
company on NZX
by free float
market cap**

FY22
\$242.5m revenue
\$19.4m profit
8% market share



Auto Retail

Turners.
Automotive Group



Insurance

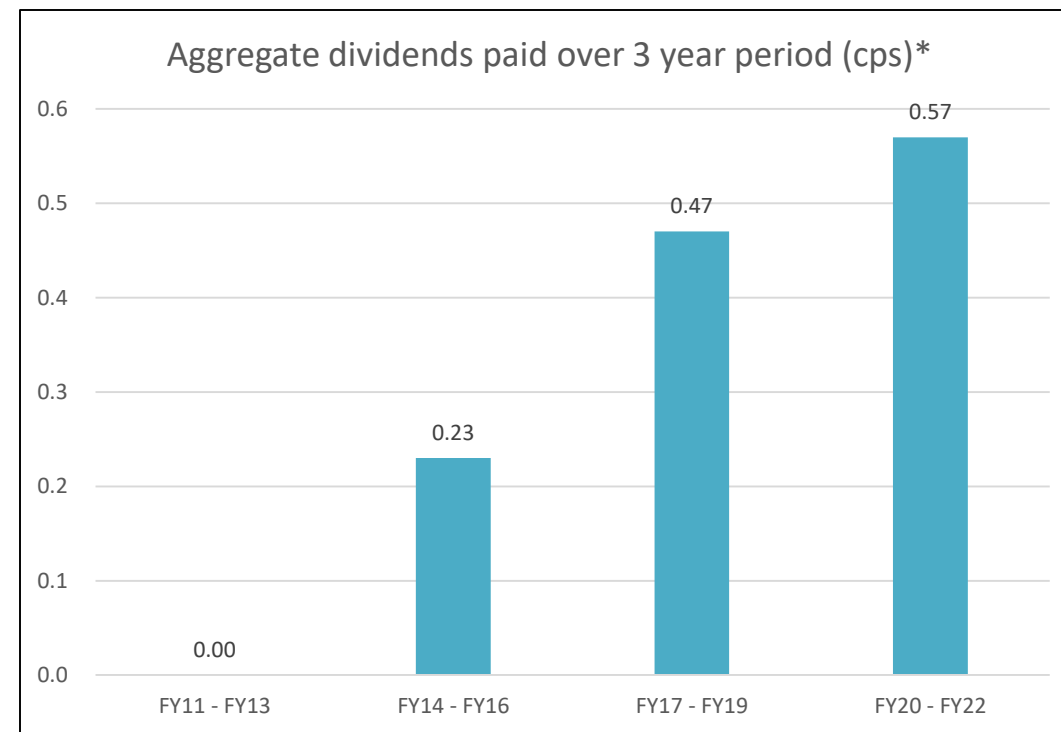
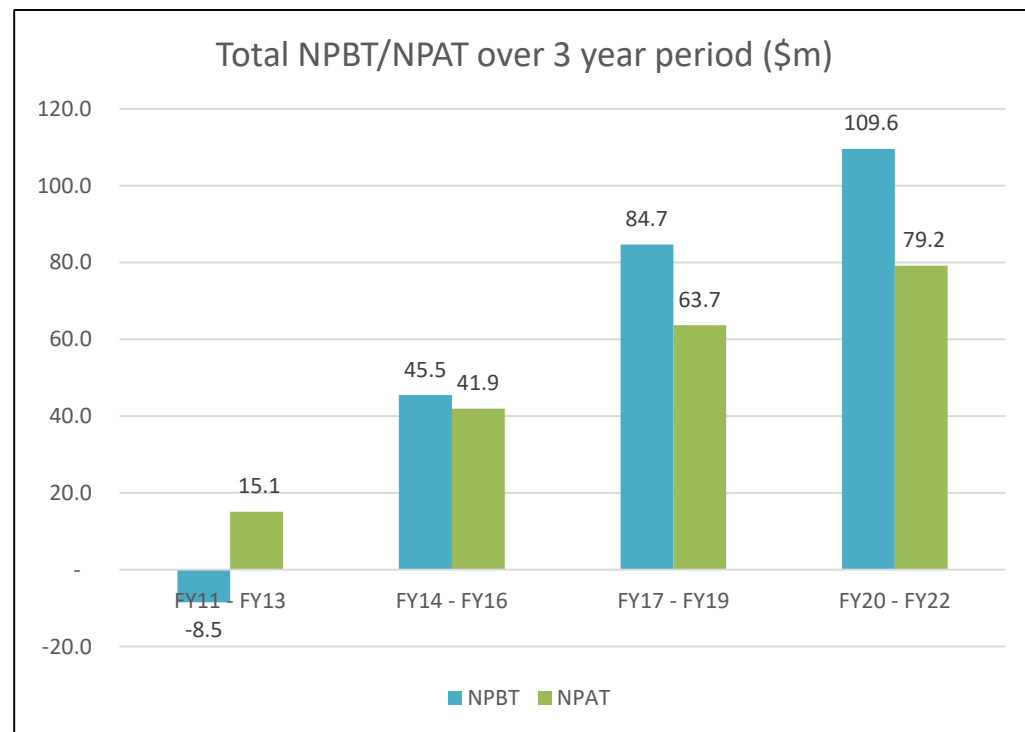
FY22
\$40.4m revenue
\$11.6m profit
50% of Mechanical breakdown
insurance market



Credit Management

FY22
\$9.7m revenue
\$3.0m profit
20% of NZ debt collection market

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



* Dividends fully imputed from FY17 onwards

We operate to a simple formula

**Quality
environment
for our
people**

+

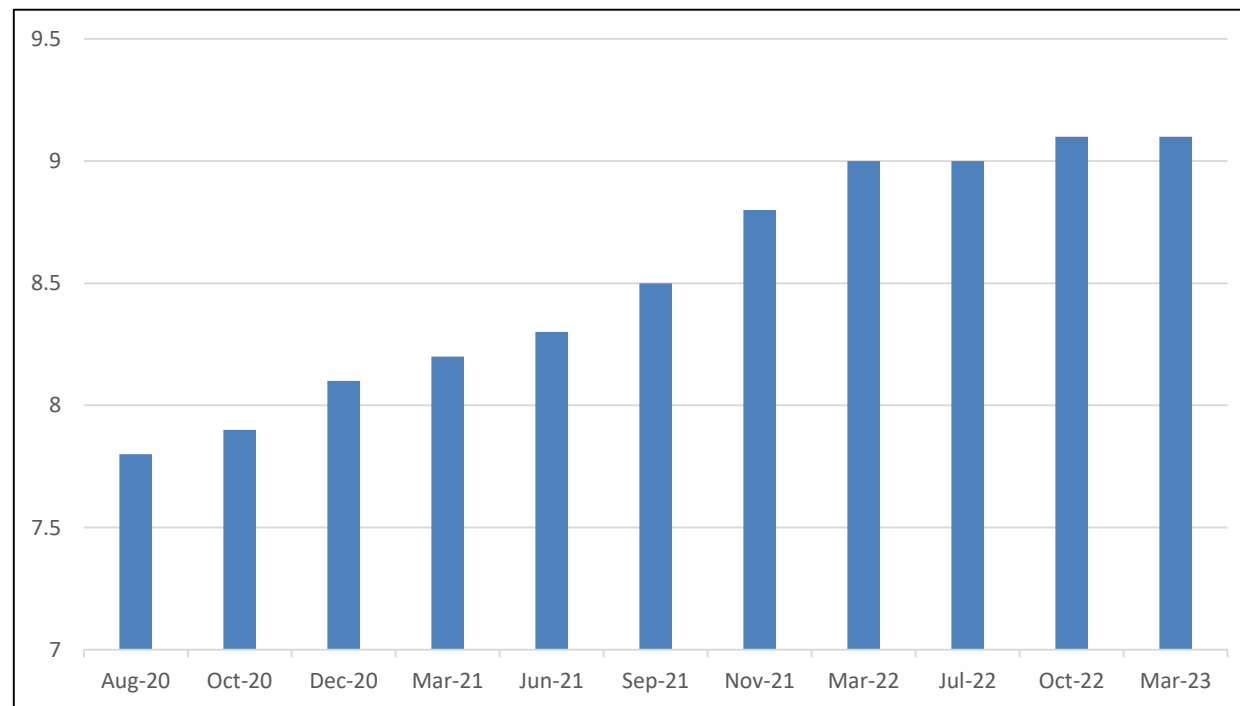
**Quality
customer
experiences**

=

**Quality
outcomes for our
shareholders**

Quality Environment – our team engagement scores at all time high

Peakon Employee Engagement Scores



- Having a strong culture and an engaged team is very important to us, particularly in a service based retail business and at a time when recruitment and retention is challenging
- Turners rank in the top 5% of consumer businesses globally using the Peakon survey tool
- We continue to invest in training, remuneration, and other benefits.
- In FY23 we launched an Employee Share Scheme with just under 50% take up

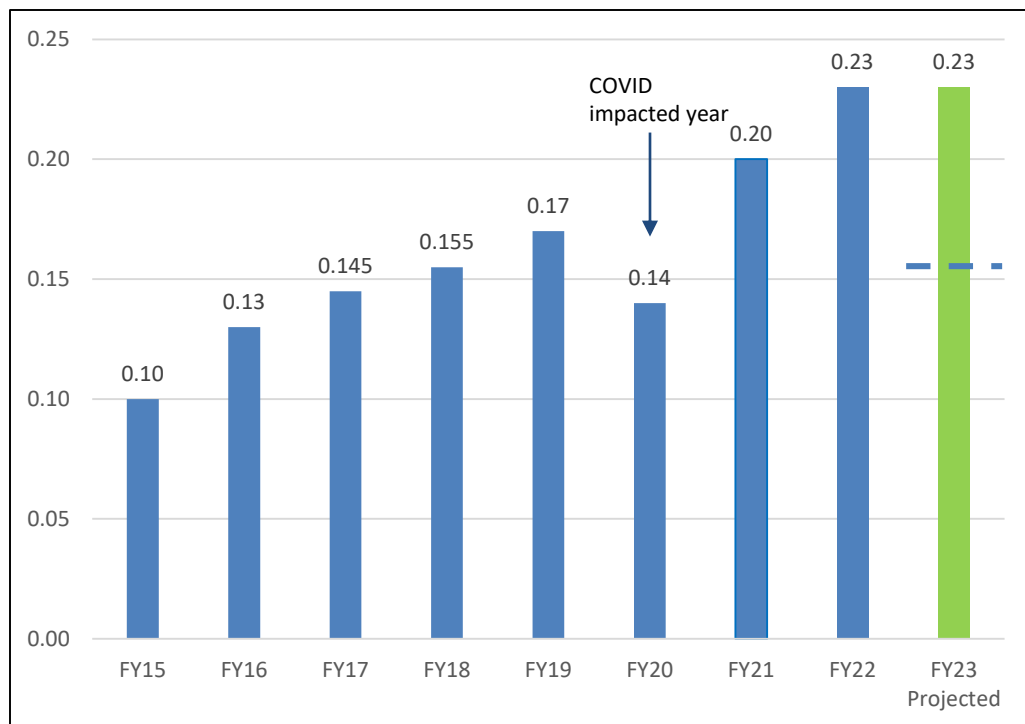
Across nearly 700 employees we are averaging 9/10 to the question “How likely is it that you would recommend Turners Auto Group as a place to work?”

Our customer experience is market leading, but the job is not finished...



We are delivering strong returns for shareholders despite the challenges...

Dividend per Share (\$)



Note - Dividends fully imputed from FY17 onwards

- Proven track record of delivering strong, sustainable and growing dividends in the business
- Directors have declared 16.0 cents YTD in the FY23 year with a final dividend still to be declared but expected FY23 dividends are 23.0 cents per share.
- Dividend payout ratio is 60-70% of NPAT
- Based on the projected 23.0 cents per share dividend and a share price of \$3.50 this is a gross yield of 9.1% pa.

2 HY23 Results



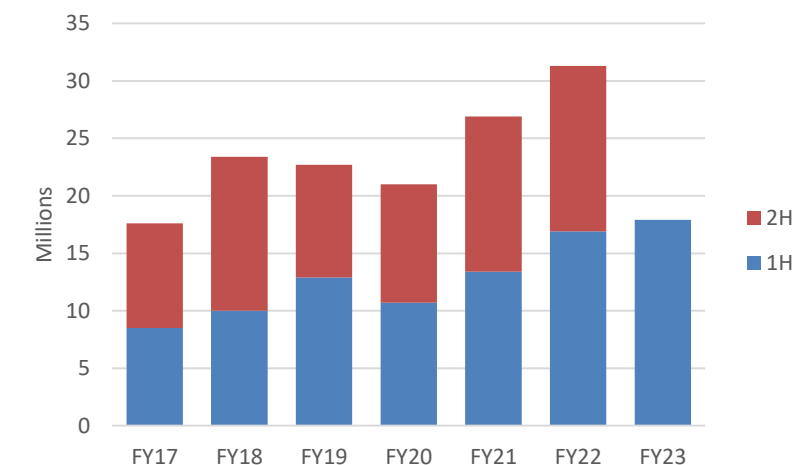
HY23 Results snapshot

<p>Revenue</p> <p>\$185.3m +11%</p>	<p>Shareholders' Equity</p> <p>\$266.7m as at 30 Sept 2022</p>
<p>EBIT</p> <p>\$26.1m +2%</p>	<p>Q2 Dividend 5.0 cps</p> <p>Projected FY Div 23.0cps</p>
<p>Net Profit Before Tax</p> <p>\$23.4m +1%</p>	<p>H1 Earnings Per Share</p> <p>19.8 cps (HY22 19.6 cps, +1%)</p>
<p>Net Profit After Tax</p> <p>\$17.1m +1%</p>	

Revenue

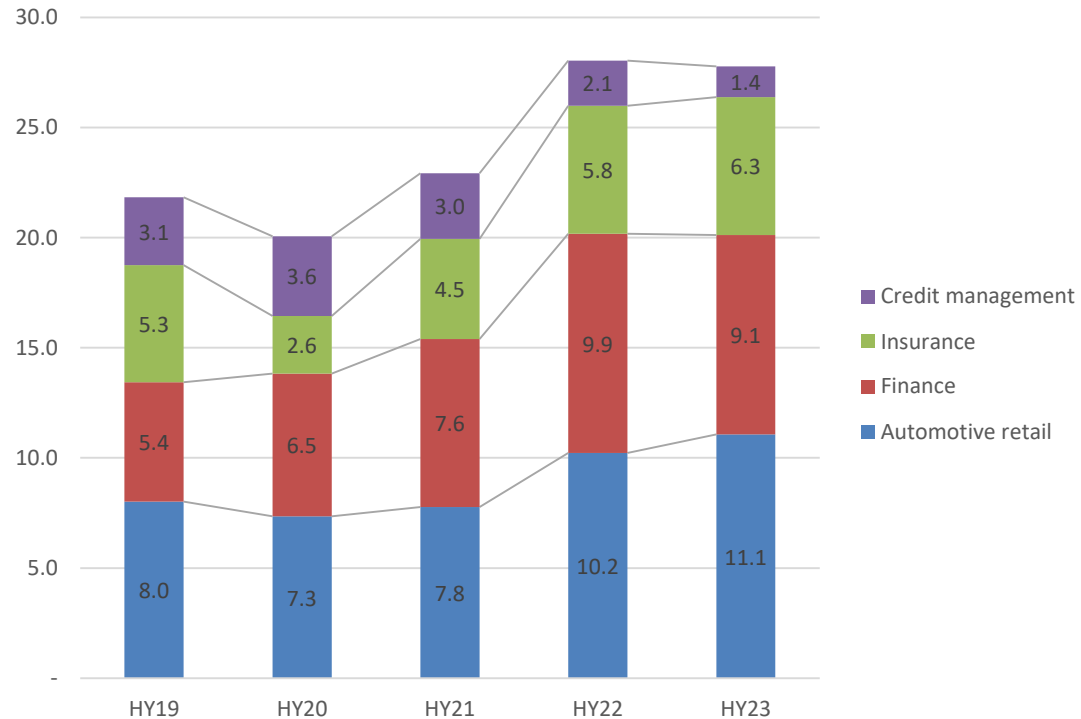


Net profit after tax



The business has a diverse and resilient earnings base

Operating Profit Contribution by Segment (\$m)



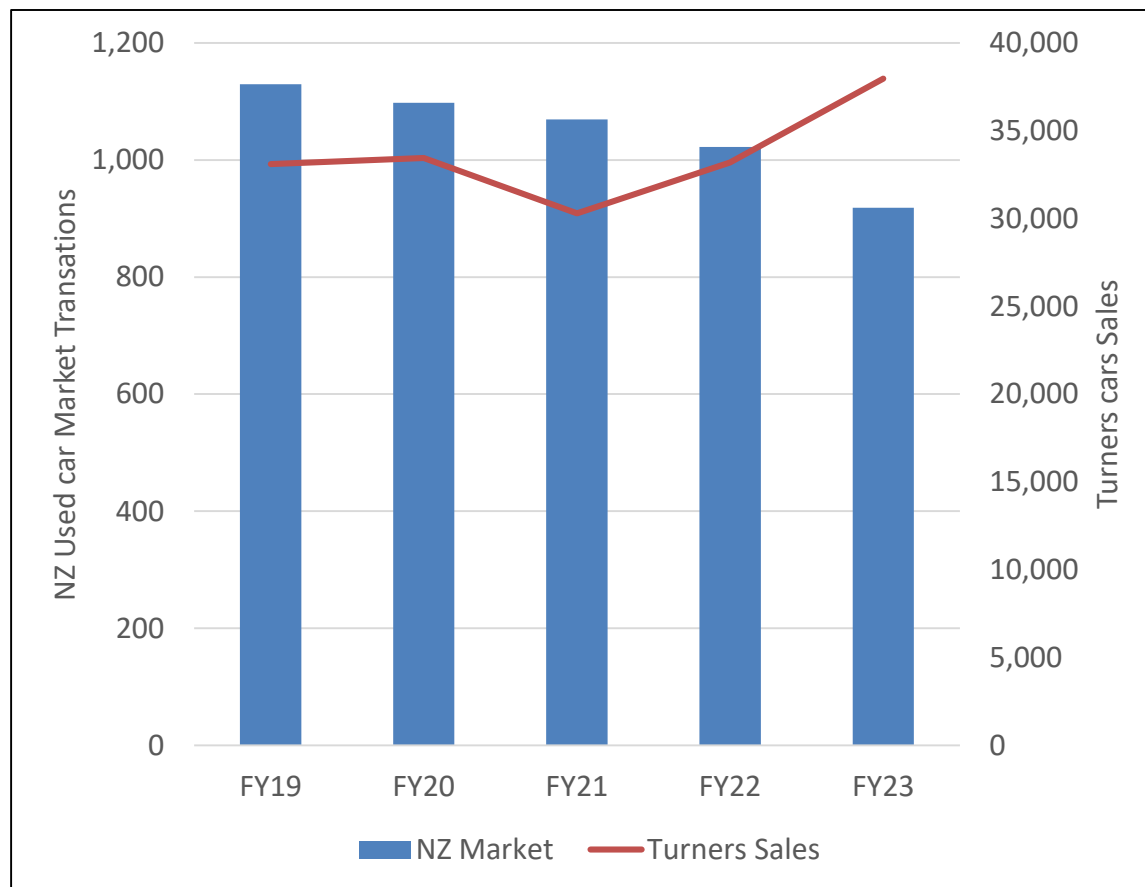
- All three auto related businesses grew materially from pre-pandemic levels.
- Credit management has been significantly impacted by reduced debt load and no collection instructions from major corporates and government departments during COVID.
- The mix of activity and annuity businesses provides the earnings diversification to protect earnings stability during difficult times.

3 Segment Overview



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

NZ Used Car Change of Ownerships (000s)



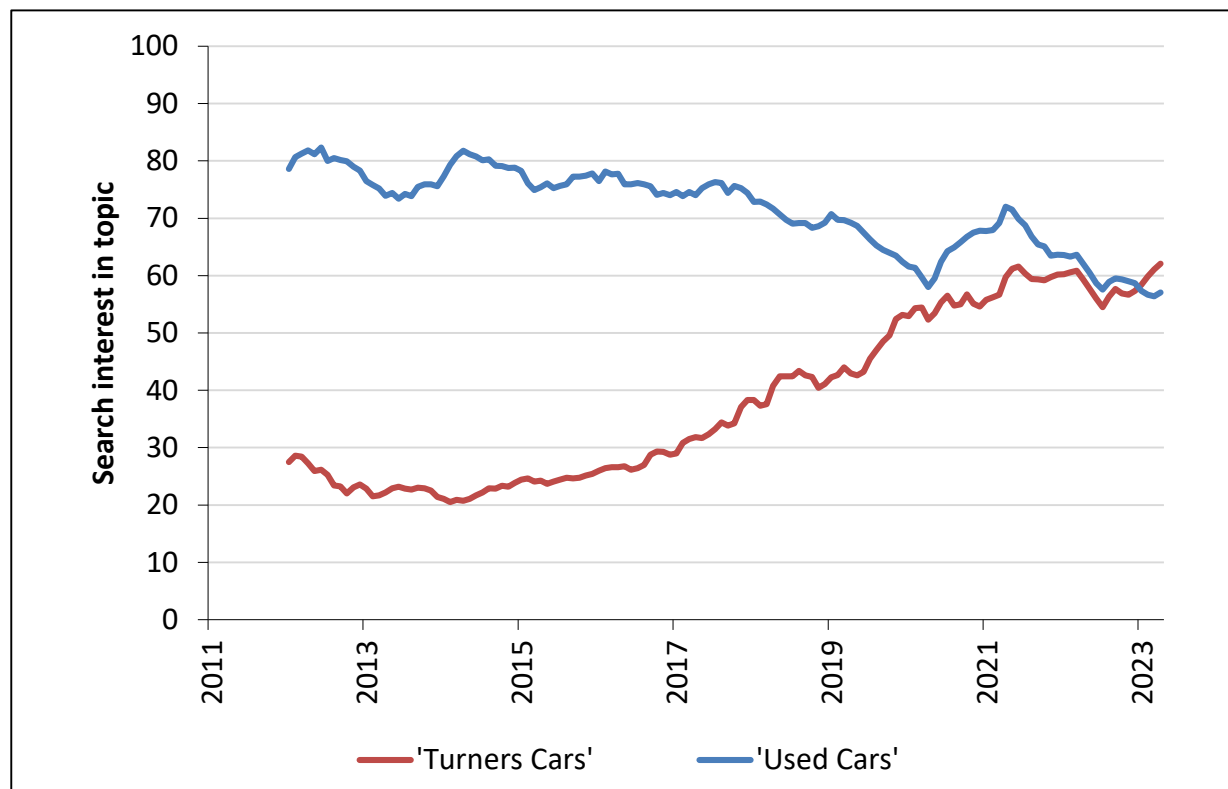
- Government regulation Clean Car Standard and Clean Car Discount continuing to constrain the supply of used vehicles in NZ
- Overall transaction levels down 10% FY22 v FY23.
- 34% reduction in used overseas imports to 90k units.
- Demand for higher value cars is moderating and shifting into the lower price point segments.
- Turners car unit sales up 14% FY23 v FY22

Source NZTA

Auto Retail division

Branch expansion and retail optimisation key areas of focus

Turners brand becoming synonymous with used car sales



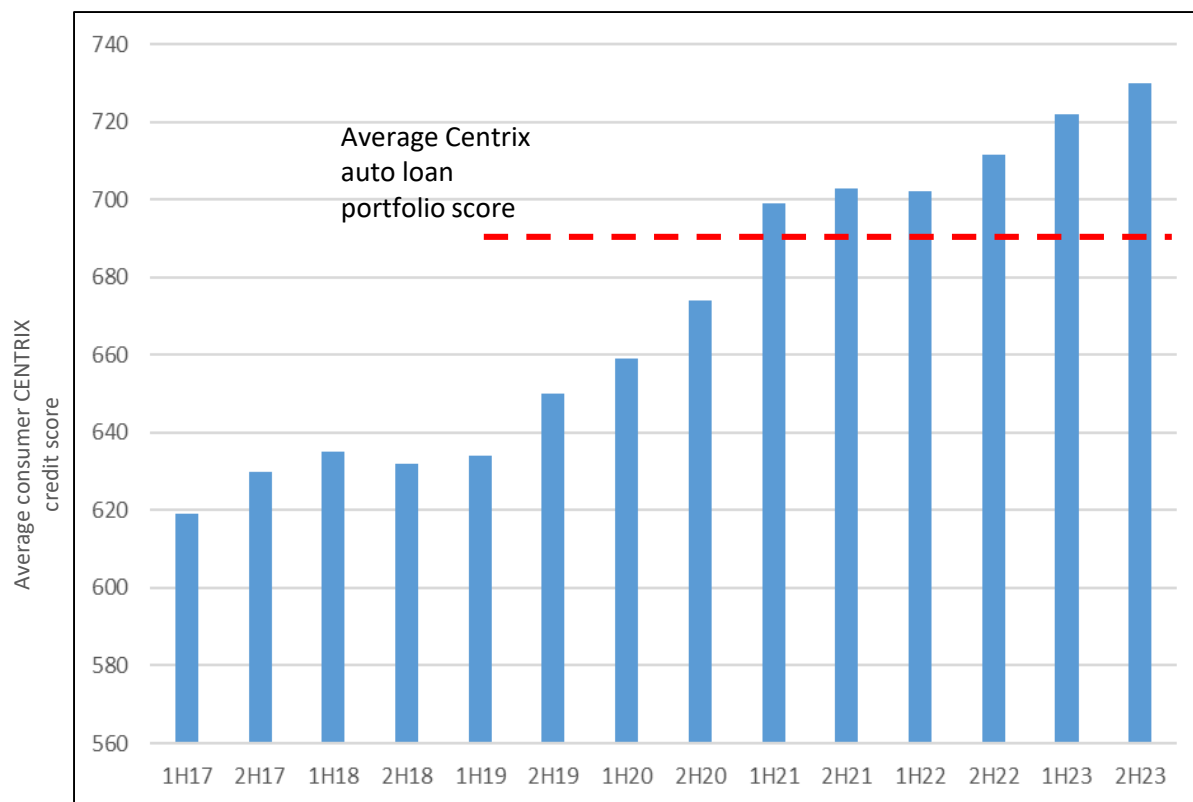
Source - Google search trends

- Market share gains through brand promotion and retail optimisation initiatives.
- New branches performing well- Nelson and Rotorua and pipeline of new branches and upsize existing branches developing well
- Speed to sale initiatives leading to more sales on lower inventory levels.
- Big opportunity to transfer sales from our wholesale auction channel (49% of sales or 18,500 units) into our retail channel...margin and yield uplift
- Damaged vehicle sales will continue to rise with aging fleet

Finance division

Improving credit quality and maintaining margin key focus areas given environment

Average Credit Score

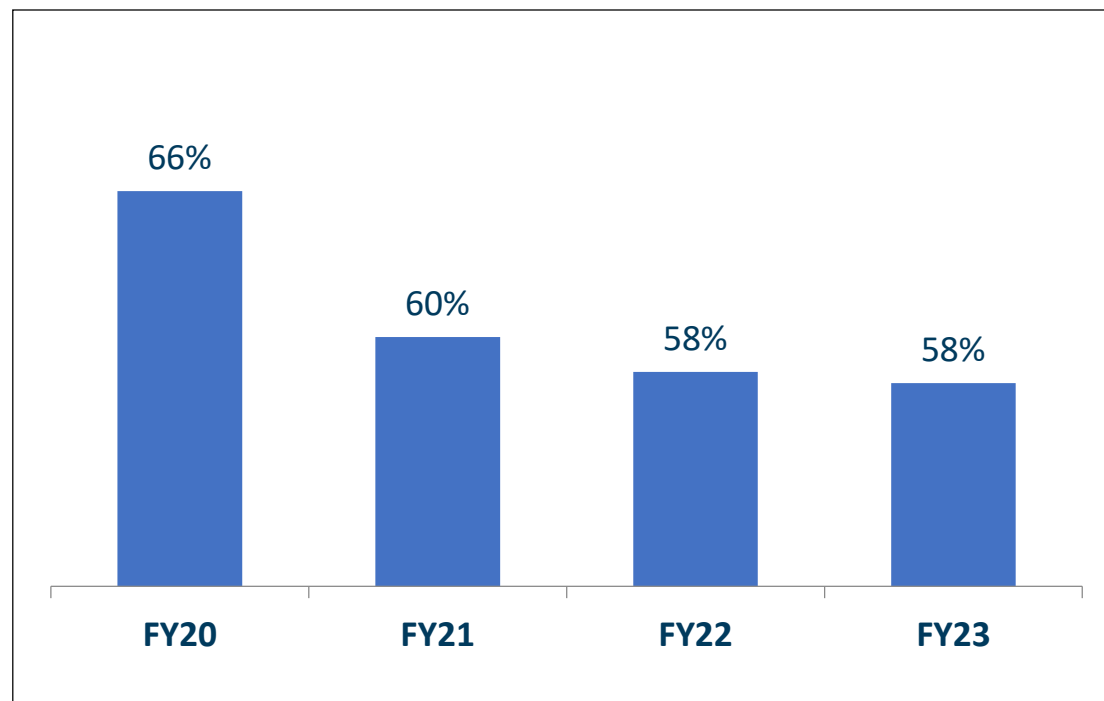


- Growth has moderated as quality and margin become higher priorities.
- Our borrower “quality” metrics continue to improve
- Finance division profitability has been impacted by fastest increasing interest rate cycle in history...but this will revert.
- Growth in Turners Cars business has halo impact for Oxford.
- Arrears tracking well below pre-covid levels and at half of the wider auto loan portfolio (2.6% v 5.4% at Mar-23)

Insurance division

Growing market share and focus on digital distribution

Mechanical Breakdown Insurance Loss Ratio Performance

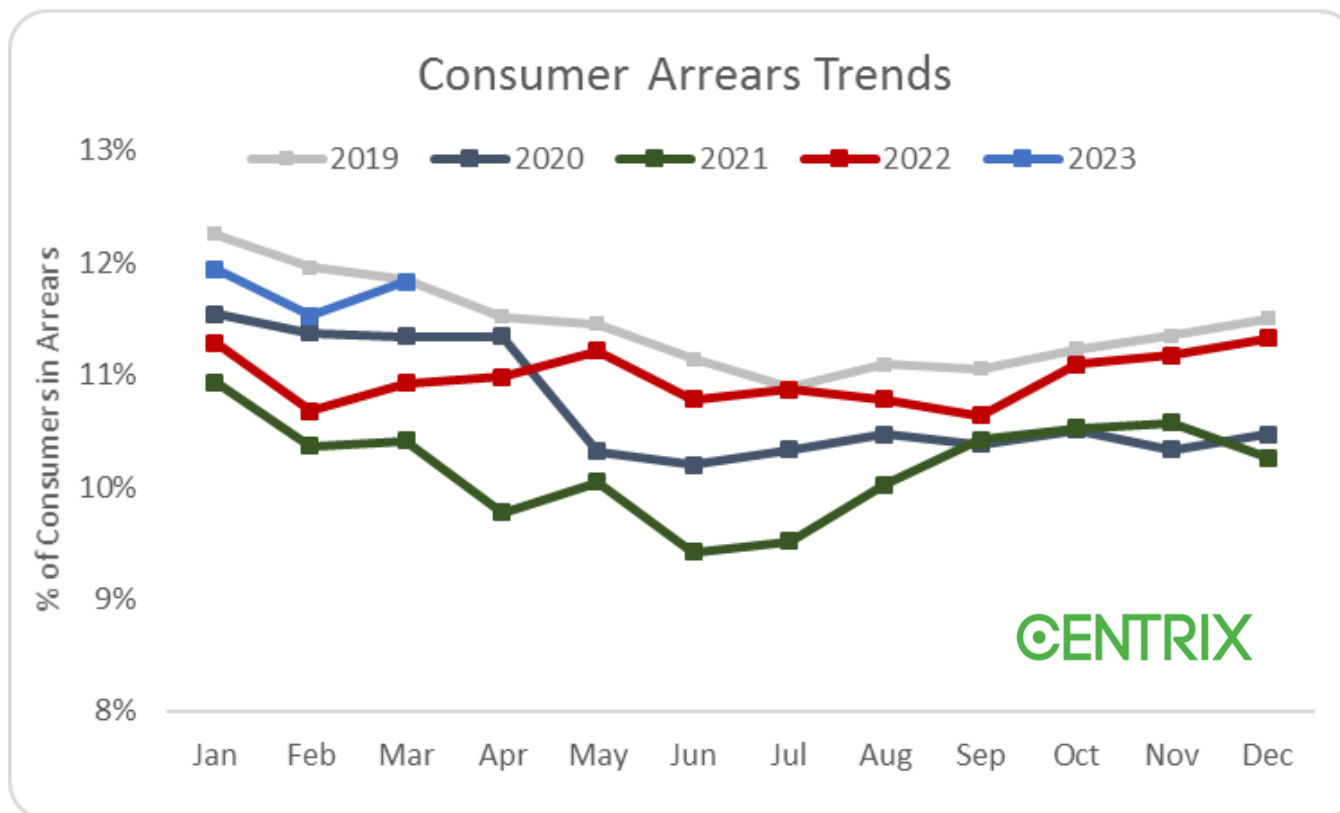


- Market share gains continuing to provide robust policy sales despite challenging market conditions.
- Risk pricing continues to be refined
- Digital distribution arrangements continuing to work well with further opportunities in pipeline
- Claims Costs inflation being offset by frequency of claims 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

Credit management

Debt load growing as economic conditions deteriorate

Consumer Arrears Trend



Source – Centrix Credit Bureau

- Consumer arrears are on the increase to 11.8% of the credit active population (11.3% in Mar-22)
- Debt load up for EC Credit Control in FY23 v FY22 and expecting this to gather pace as economic conditions deteriorate

4 Outlook



There are some challenges, but we are in a strong position...

Challenges

- Cost of living impact on consumer confidence
- Rapidly increasing interest rate environment
- New car supply chain issues
- Recruitment and retention of people
- Regulatory

Competitive advantages...

- High trust brands in our stable
- Biggest buyer and seller of cars in NZ
- Unmatched national footprint
- Diversified sources of cars
- Agility in finance and insurance systems
- Technology capability and data advantages
- Highly engaged and capable team of people

Outlook – FY23 Guidance

- Latest guidance issued early March-23 where we reiterated guidance given at the HY23 results announcement.
- The company is now on track for FY23 profit before tax to be at least \$44.0m (FY22: \$43.1m).
- Trading in Q423 has seen no significant change to the market dynamics we were experiencing in Q3:
 - Auto retail: Car sales in our business continue to hold up well, market share continues to grow across new and existing sites, margins are stable. Site expansion strategy working well and developing a pipeline of further opportunities.
 - Finance: The impact of a higher interest rate environment is increasing, the expected deterioration in arrears occurred over December and January, however the loan book is stable and arrears improved in February.
 - Insurance: Claims continue to track below expectations and investment returns improving.
 - Credit: Debt load recovering, but more slowly than expected.

Key Messages

1. Continue to produce robust and reliable earnings, despite macro challenges

Following a number of strategic initiatives, and focus on de-risking, Turners continues to produce reliable and consistent earnings and a sustainable dividend yield. Auto and Insurance are growing strongly offsetting the impact of the interest rate environment on Finance.

2. Continue to grow market share in key auto retail segment

With more branches in the pipeline, customers turning to “trusted” brands in times of uncertainty and a diversified sourcing model Turners is well positioned to widen its competitive moat in the used vehicle segment.

3. Used car market is mostly needs based...lots of market resilience in this segment

20% of NZ vehicle fleet is 20 years or older...this is over 830,000 cars that are at the end of their life.

4. We are very conscious of NZ and global economic challenges over the next 12-24 months

We are aware of the challenges and still have clear plans to mitigate these. We still see opportunities in the markets we operate in, and are well positioned to take advantage of these. The strong will get stronger.

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