

26 January 2022  
Company Announcement  
NZX:NZA



## **NZ Automotive Investments Limited trading update**

New Zealand based integrated used automotive group NZ Automotive Investments Limited (**NZAI / the Company**) (NZX:NZA) advises of lower than expected revenue, as a result of lower car, finance and insurance product sales during the December and early January period.

The Company now expects underlying net profit after tax for the year to 31 March 2022 to be in the range of \$2.3m to \$2.7m, down on the prior comparative period of \$3.8m. Actual net profit after tax, which includes a one-off gain from the rearrangement of leases of \$0.9m, is expected to be in the range of \$3.2m to \$3.6m. This range assumes no further impact from Covid-19 related events.

The Company remains in compliance with all bank covenants and is in a solid financial position with cash balances of \$5.8m and net debt of \$5.4m as at 26 January 2022.

The ongoing Covid-19 presence and changes in consumer behavior have continued to impact sales, in particular in the Auckland region. Although November's results were in line with expectations, Management is not seeing the expected bounce back in sales previously experienced following the first Covid-19 lock down.

In addition, the Company's decision to gear its fleet up on the strength of the Government's proposed Clean Car Rebate implementation from 1 January 2022, coupled with the Government's deferral of that implementation date to 1 April 2022, has negatively impacted the business. The business had expected to see a lift in demand of low emission cars in January, which it would benefit from.

The recent changes in the CCCFA lending standards have also impacted on finance and insurance product sales, due to time delays and consumers taking time to adjust to the new requirements.

The Company is continuing to experience increased costs for certain vehicles in Japan along with increased freight costs. A key driver of the increased costs in Japan has been the impact that the semi-conductor shortage is having on the new car market, which in turn is raising demand for used vehicles.

Management have adapted to the challenges presented and have taken key actions to address the issues outlined. These include adjusting buying parameters, reviewing vehicle pricing, amending the vehicle stock mix on dealership and refining the finance and insurance processes.

The new 2 Cheap Cars Westgate dealership, due to open in February, is expected to help deliver improved sales volumes.

As announced with our half year result in November, prior to the August lockdown the business was performing well, ahead of the same Covid-19 affected period in 2020. The Company has now also completed the relocation of its vehicle processing hub to new premises in Onehunga and expects to realise, as a result of that relocation, benefit from efficiencies and expanded capacity to process cars ready for sale in the new financial year.

Ends

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**About NZ Automotive Investments Limited (NZAI)**

NZAI is an integrated used automotive group operating throughout New Zealand via two subsidiaries: Automotive Retail and Vehicle Finance. NZAI's mission is to deliver quality cars and financing solutions at the most affordable prices to the average New Zealander. Operating under the "2 Cheap Cars" brand, its Automotive Retail company is one of the largest used vehicle sellers in New Zealand with 12 dealerships across the country. Its Vehicle Finance company operates under the "NZ Motor Finance" brand. It was established in 2019 to diversify earnings and provide a further growth opportunity for NZAI. It originates loans entirely from cross-selling to Automotive Retail customers, which allows NZ Motor Finance to grow its finance book with minimal acquisition and administrative costs. [www.nzautomotiveinvestments.co.nz](http://www.nzautomotiveinvestments.co.nz)

