



NZ Automotive Investments Limited

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NZ Automotive Investments announces its FY22 results and final 0.88 cps dividend

Auckland, 30 May 2022

NZX: NZA

NZ Automotive Investments Limited today announced its audited financial results for the year ended 31 March 2022 (FY22).

Summary:

- Revenue and income of \$66.0 million, down \$0.1 million from last year
- Actual net profit after tax (NPAT) of \$2.6 million down from \$3.2 million last year
- Underlying net profit after tax of \$1.7 million down from \$3.8 million last year
- Net operating cashflow (excluding loan book lending) decreased by \$6.8 million
- Underlying earnings per share of 4.0 cps (actual eps 6.0 cps)
- Final gross dividend of 0.88 cents per share bringing full year FY22 gross dividend to 3.1 cps

Chief Executive David Page said: “The last financial year has been a difficult one for the business with the Covid 19 restrictions having a greater impact than in FY2021, with our dealership network being restricted from fully operating for a total of 108 days. The reduced ability to trade during the lockdowns and pandemic-related uncertainty impacted buyer behaviour, while the Omicron outbreak in January and February meant more stringent self-isolation with the business not experiencing the same level of bounce back in sales previously experienced after the first lockdown in the prior financial year.

“The August lockdown provided an opportunity for the vehicle processing hub to review stock and process vehicles freeing up future capacity. While the decision to bring this initiative forward was made to improve future processing capacity and to help enable a stock clearance strategy ahead of the move to new premises, it did absorb more time and incurred more cost to resolve than had been anticipated.”

“As a consequence of the lower volume of vehicle sales and the new CCCFA lending standards, 2 Cheap Cars’ finance and insurance income was impacted in the second half of the year. The changes to lending standards made it more difficult for some customers to access consumer finance, and also increased the time for our third party providers to process applications. The second half of the year was also impacted by an unexpected strengthening of the New Zealand dollar against the Japanese Yen. This affected the Company’s foreign exchange hedge position with respect to committed inventory purchases, across the FY22 balance date, resulting in an adverse impact on net profit after tax.

The rearrangement of the company’s leases associated with the shift of the vehicle processing hub from Mt Wellington to Onehunga realised a one off, non recurring gain of \$0.9 million, resulting in a reported NPAT of \$2.6 million. Underlying NPAT as noted in the summary above was therefore \$1.7 million



Net operating cashflow, excluding NZ Motor Finance lending decreased by \$6.8 million in FY22 due to the timing of inventory purchases, in particular a prepaid shipment of \$3.2 million at the end of March 2022.

NZAI's balance sheet remains solid, with \$3.8 million in cash and net debt of \$8 million as at 31 March 2022.

The Board has approved a final gross dividend for the financial year of 0.88 cents per share (fully imputed) to be paid on 24 June 2022. Combined with the interim dividend of 2.22 cents per share that brings the total gross dividend to 3.1 cents per share for FY22. Based on a share price of \$0.73, this represents a total gross dividend yield for the year of 4.24%. NZAI now has over 3,000 shareholders.

Results by Division

Automotive Retail

The Covid 19 restrictions meant that the business was restricted from fully operating for a total of 108 days, or 30% of the year, with 63 of the impacted days falling in the second half of the financial year. Accordingly, revenue decreased by 2.1% to \$63.4 million. The business sold 7,882 vehicles, being 325 less than last year. The reduction in the number of vehicles sold was primarily offset by the ability to raise selling prices.

In the first half of the year the business purchased a greater number of vehicles than in the prior comparative period as part of a plan to build stock ahead of shipping and logistics challenges and potential stock shortages. The purchase price of these vehicles increased on average by almost 15% - a reflection of macroeconomic factors including a reduced supply of new vehicles globally and a resultant increase in global demand for used vehicles, and regulatory changes in New Zealand requiring better quality and therefore higher priced used vehicles.

Sales of electric and hybrid electric vehicles (EV/HEV) almost doubled to 27% of all sales in FY22. The Company increased its inventory of EV/HEVs to meet an anticipated increase in demand as a result of the Government's Clean Car Discount Scheme, increasing petrol and diesel prices, and the consequent consumer demand for these types of vehicles.

Move to New Vehicle Processing Facility

As part of a strategy to take advantage of the Company's vertical integration, the Company moved into an expanded vehicle processing hub in Onehunga, also investing in equipment and processes to optimise flow and output. This move will set the business up for greater vehicle processing capacity to position the business for sales growth, while providing greater amenity and a safer and more pleasant working environment for employees and contractors.

Digital Marketing

A further strategic initiative was the introduction of click and collect functionality to the Company's website which was developed on the back of the 2020 lockdowns. This innovation resulted in 39% of all vehicle



sales during the lockdown period being completed through the click and collect channel, and 16% of all vehicle sales over the whole financial year were completed this way.

Automotive Finance

The NZ Motor Finance business had a pleasing financial result with the loan book growing from \$3.8 million to \$6.8 million, an increase of 79%. As at 31 March 2022 NZ Motor Finance had 889 loans in place.

People and Culture

In April 2022, inaugural Chairperson Karl Smith and Independent Director Michele Kernahan stepped down from the NZAI Board. Tim Cook joined the Board as an Independent Director and Charles Bolt was appointed the Interim Chairperson, having been an Independent Director since listing. The Board will be looking to make at least one further appointment of a Director in the coming months.

The Board will also be working closely with management to review the operating structure of the Company to ensure that the business is positioned for growth, and that it has the right skillsets that will be required to deliver on that strategy.

There is no doubt that the past year has seen many challenges and disruptions resulting from the pandemic. The Company is appreciative of its employees who have remained focused on supporting the customers and each other during this period, and has put in place a number of strategies to lift engagement and attract and retain talent.

Outlook

In the early days of the new financial year, the Retail Automotive Division is seeing an improvement in sales and foot traffic, although there remains some economic uncertainty, with rising interest rates, inflationary pressures in an economy emerging from the current Covid pandemic.

By achieving greater efficiencies in the relocated vehicle processing hub and executing on a carefully targeted plan to increase the dealership footprint and a significant uplift in sales and marketing investment, the Company is well positioned for growth and development. Coupled with the increasing demand for more fuel efficient and environmentally friendly vehicles, and the model of directly sourcing such vehicles through the Japan-based buying team, the Company is also set up to deliver on this evolving dynamic and respond to the changing regulatory settings and upcoming opportunities in this part of the economy.

We thank our valued shareholders for their continuing support.

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About 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

