

HY22 RESULTS PRESENTATION

NZ AUTOMOTIVE INVESTMENTS

**HALF YEAR FINANCIAL RESULTS
TO SEPTEMBER 2021**

29 NOV 2021



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Information in this presentation is for general information purposes only and is not an offer or invitation for subscription or purchase of, or a recommendation to invest in NZAI securities.

The presentation should be read in conjunction with, and is subject to, NZAI's latest set of financial statements for the period ended 30 September 2021, released on the NZX.

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All information presented is current at 30 September 2021, unless otherwise stated. All currency amounts are presented in NZ dollars, unless otherwise stated.

Authorised for release by the Board of Directors.



AGENDA

1. BUSINESS HIGHLIGHTS | DAVID PAGE, CEO

2. FINANCIAL RESULTS | HAYDN MARKS, CFO

3. STRATEGY | DAVID PAGE, CEO

4. OUTLOOK

5. Q&A



1. BUSINESS HIGHLIGHTS



DAVID PAGE
CHIEF EXECUTIVE OFFICER



BUSINESS PERFORMANCE – IMPACTED BY COVID-19

NZAI was performing well for the first four and a half months in the lead up to latest Covid-19 lockdown.

Vehicle sales at 2 Cheap Cars, NZAI's retail subsidiary, were averaging 800 cars per month to mid August and up 27% on the same Covid-19 affected period last year.

Like other retail businesses, **NZAI's operations were impacted by lockdowns relating to Covid-19 during HY22.**

NZAI could not fully trade for at least 45 days, or 24% of the period.

2CC dealerships outside of Auckland operated at 90% sales capacity at alert level 2.

Throughout the period, the company has had to be agile in responding to the disruptions and uncertainty.

A focus on online sales channels during lockdown resulted in online sales contributing to 39% of all 2CC sales throughout the lockdown period.

The used car import market in New Zealand for the six months to Sep-21 is up 12% on HY21 but remains down -15% on HY20 due to Covid-19 disruptions. There was a higher impact of the COVID-19 restrictions on the Auckland used car market. (see appendix A).



PERFORMANCE HIGHLIGHTS

NZAI RESULTS AFFECTED BY COVID-19 LOCKDOWNS AND IN LINE WITH GUIDANCE

\$31.2Mⁱ

REVENUE & INCOME

▲ up 1.9%

\$1.4M

NPAT

▼ down 25.0%

\$3.2Mⁱⁱ

EBITDA

▼ down 20.7%

2.2 CPS

DIVIDEND (CPS)

Fully imputed interim dividend,
1.6 cps net

\$1.2Mⁱⁱⁱ

NET OPERATING
CASHFLOW

▼ down \$7.4m

10.1%

EBITDA MARGIN

▼ down 2.9%

Results for the six months ended 30 September 2021. All Comparisons to HY21.

ⁱ Includes finance income and Government subsidies.

ⁱⁱ EBITDA is a non-IFRS measure and includes finance income.

ⁱⁱⁱ Net operating cashflow impacted by the timing of inventory purchasing in both periods and incremental corporate costs.



2 CHEAP CARS AUTOMOTIVE RETAIL

12

Dealerships

3,864

Cars sold in HY22

9%

Digital sales

\$1.57k

Average profit per car

VEHICLE SALES AND REVENUE

- Revenue up 3.4% on the same Covid-19 affected period last year.
- Profit per car up 11.6% on the same period last year with improved margins from increased sales of higher value cars and improved finance penetration which is up 600 bps to 36%.
- Vehicle sales bounced back in the earlier part of the half and were up 27% in the period to mid-August, on the same Covid-19 affected period last year.
- Sold 3,864 cars in HY22, down slightly on HY21 sales of 3,911.
- Through the level 3 and 4 lockdown 39% of all cars sold were via its digital click and collect solution and 9% of all sales for the half year were through online sales channels.

PRODUCTION CAPACITY

- Gearing up for the move to the new vehicle processing hub in Onehunga in January 2022.
- Hired new operations manager and customer care team.

READERS DIGEST QUALITY AWARD TWO YEARS RUNNING

- 2 Cheap Cars is again a winner of the Reader's Digest Silver Quality Service Award in the used vehicle dealership category. This award is voted by New Zealanders and is the second year in a row that the company has won the award.



NZMF AUTOMOTIVE FINANCE

DEMAND FOR FINANCE CONTINUES TO BE STRONG, THIS IS A FOCUS AREA FOR GROWTH.

\$4.9m

HY22 Finance book
size

625

Number of loans

36%

Percentage of automotive
retail customers that
require finance

4.3%

Percentage of retail car
sales financed by NZMF

GROWTH IN LOAN BOOK

- NZMF grew its loan book approximately 139% in HY22 (annualised).
- Signed two partnerships with third party automotive retail dealers.
- Low write-off rate on loan book less than 0.2%.

FUTURE GROWTH FROM:

- In advanced stages of discussions to secure \$5m in additional funding to grow loan book.
- Increased finance penetration rate within the Group.
- Exploring opportunities for acquisition growth.



INDUSTRY TREND

ELECTRIC & HYBRID ELECTRIC VEHICLES (EV/HEV)

NZAI HAS A LONG-TERM STRATEGY WHEN IT COMES TO EV/HEVS. WE ARE WELL POSITIONED TO MEET DEMAND

32,781

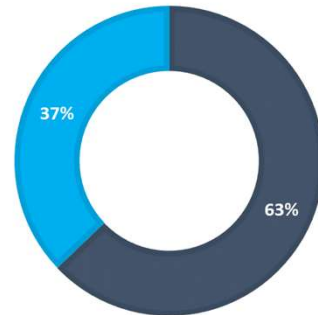
Electric vehicles on the road in NZ (as at Sep 2021).

780

No. of EV/HEVs 2 Cheap Cars sold in HY22.

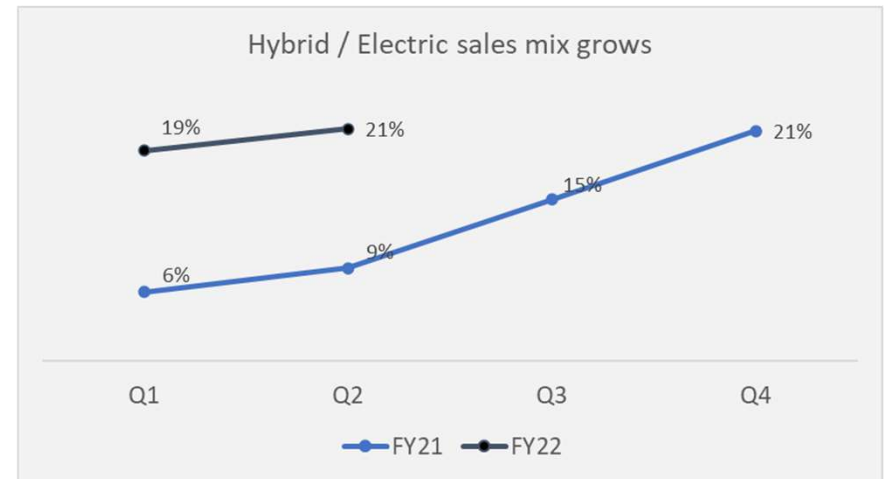
CLEAN CAR IMPORT STANDARD - NZAI SALES

HY22 SALES TO DATE PROFILE



■ No Penalty ■ Penalty

EV/HEV SALES MIX GROWS TO 21% OF TOTAL SALES



SHAREHOLDER NEWS | LIQUIDITY

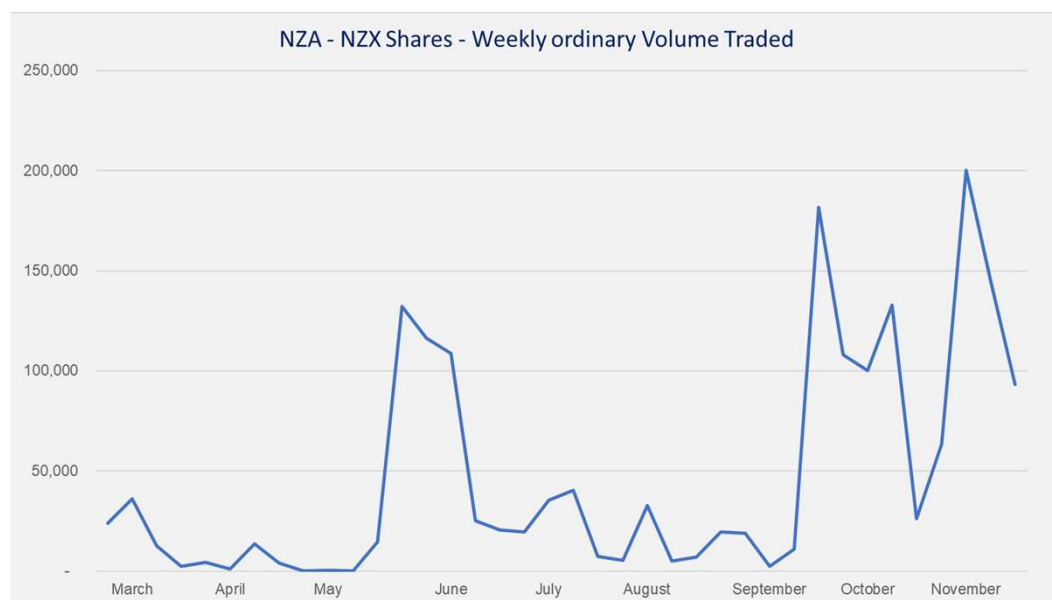
Following a liquidity event in September, involving a founder sell down, NZAI now has over 3,500 shareholders and an uplift in daily share trading volumes.

While we have seen an impact on the share price, we believe that the liquidity created from this event will support the company in the long term.

The founder sell-down was in alignment with the business strategy of increasing liquidity and broader engagement in the stock.

We also welcomed our first institutional investor.

Dividend declared of 2.2 cents per share (fully imputed).



2. FINANCIAL RESULTS



HAYDN MARKS
CHIEF FINANCIAL OFFICER



HY22 RESULTS UPDATE

NZAI DECLARES INTERIM DIVIDEND DESPITE COVID-19 IMPACTS

- **\$31.2m total revenue and incomeⁱ**, representing growth of 1.9% on HY21.
- **3.4% increase in 2 Cheap Cars revenue** on the same period last year⁴. Gross margins improved to 20%, up from 19% in HY21.
- **139% growth in NZMF loan book - grew to \$4.9m**, on an annualised basis, finance income growing 42% on HY21 to \$0.6m.
- **\$0.8m decrease in EBITDAⁱⁱ** on HY21. Higher margin contributions from the underlying business, offset by lower Govt. subsidies and incremental listed company costs contributed to the decrease in EBITDA.
- The impacts of Covid-19 affected EBITDA (including finance income) of \$3.2m and is lower than the business normally would expect to return.
- **25% decrease in NPAT** to \$1.4m, on the same period last year, and within guidance provided in September.
- **\$7.4m decrease in net operating cashflow** to \$1.2m largely due to the timing of inventory payments and incremental corporate costs.
- **3.1 cps earnings per share** for the period.
- **2.2 cps interim fully imputed dividend** declared.

ⁱ Includes finance income and Government subsidies

ⁱⁱ EBITDA is a non-IFRS measure and includes finance income

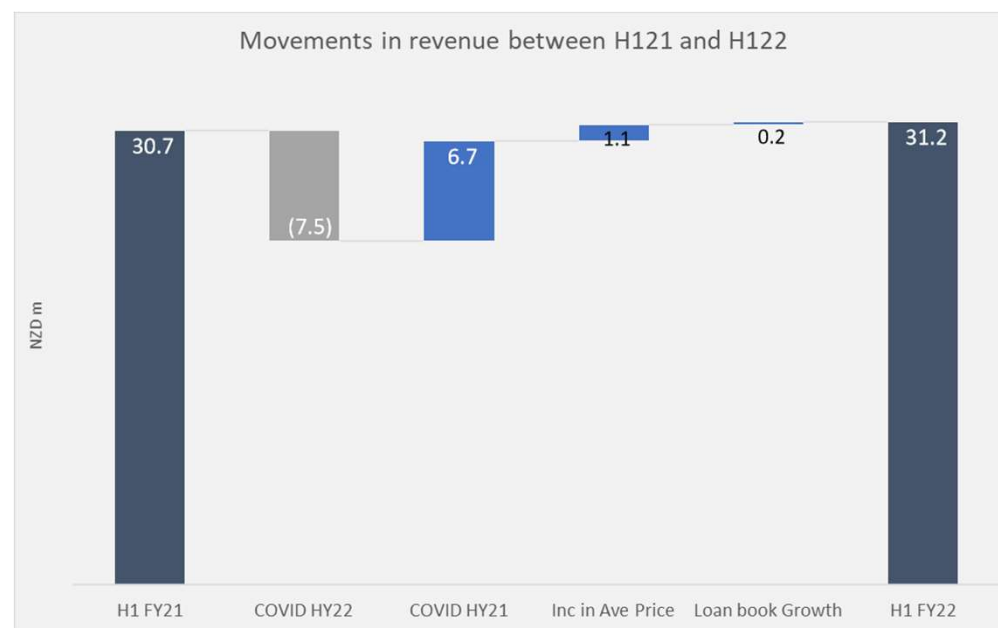
⁴ HY21 was also affected by COVID-19 restrictions



DRIVERS OF HY22 PERFORMANCE

REVENUE AND INCOME WAS AFFECTED BY THE COVID-19 PANDEMIC

- Despite Covid-19 impacts revenue & income across the Group of \$31.2m, was up 1.9% against HY21.
- Covid-19 impacted the retail business by an estimated \$7.5m in lost revenue⁵ (includes \$0.3m offset of Govt. subsidies received).
- HY21 was also Covid-19 affected which contributed to an estimated \$6.7m loss in revenue⁶ for that period.
- The Group received \$0.3m less wage subsidy than in HY21.
- Offset by higher retail priced cars, increased finance penetration as well as growing the NZMF loan book.
- Digital sales made up 9% of all sales for the period through “buy-now” functionality via the 2CC website.



⁵Estimated based on 6 week run-rate prior to 17 August 2021

⁶Estimated reduction of vehicle sales caused by COVID from Apr-May-20 and Aug-20 restrictions



HY22 CASHFLOW

NZAI MAINTAINED CASH TO WEATHER STORM AND BE IN POSITION TO PAY INTERIM DIVIDEND

- Operating cashflow decreased to \$1.2m due to the timing of payments for inventory, incremental corporate costs and net loan book lending.
- NZMF lent \$2.5m to customers in HY22.
- 2 Cheap Cars invested in new plant & equipment during the period to enhance operational efficiency.

Cash flow summary	H1 FY22	H1 FY21	Change
Net operating cash flow	1.2	8.6	(7.4)
Investing cash flow	(0.3)	(0.1)	(0.2)
Financing cash flow	(2.1)	(2.0)	(0.2)
Net cash flow	(1.3)	6.5	(7.8)
Cash equivalents	7.0	8.3	(1.3)

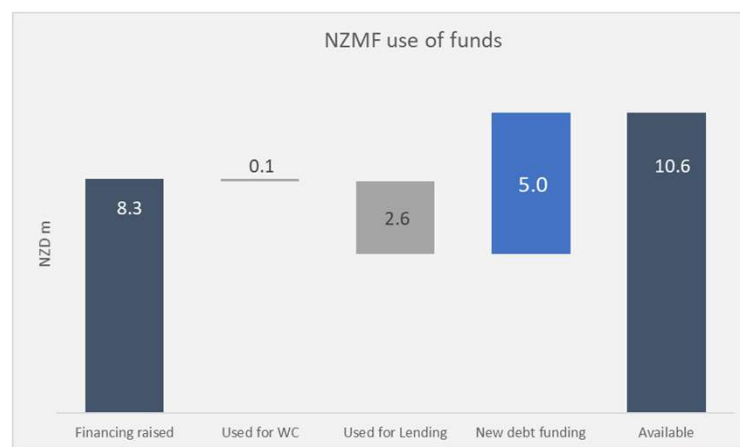


HY22 FINANCIAL POSITION & FUNDING

NZAI REMAINS WELL POSITIONED FINANCIALLY TO CARRY OUT STRATEGY

- The business halted shipping from Japan in September and extended some short-term trade facility contracts to November to preserve cash and hold inventory levels.
- Inventory turnover increased to 98 days from 92 due to holding additional inventory as the result of Covid-19 disruptions.
- Loan book grew to \$4.9m, with no write-offs for the period.
- Net debt increased by \$2.3m largely due to financing the loan book.
- Debt facility provisionally increased to \$10.0m to provide funding for FY22 loan book growth.
- NZMF had \$10.6m of funding available for new loans as at 30 September 2021.

Balance sheet summary	HY22	FY20
Cash equivalents	7.0	8.3
Inventories	13.6	11.9
Loan receivables	4.9	3.8
Other assets	8.5	10.5
Total assets	34.0	34.4
Borrowings	9.5	8.4
Other liabilities	9.8	10.4
Total liabilities	19.3	18.8
Equity	14.7	15.6



3. STRATEGY



DAVID PAGE
CHIEF EXECUTIVE OFFICER



OUR STRATEGY EXECUTION



1. EXPAND SUPPLY CHAIN

Expand our HUB car processing to unlock growth.

Actively increase supply of affordable EV & HEVS.

Leverage our scale to drive efficiencies.

2. GROW RETAIL DISTRIBUTION

Expansion of national dealership footprint.

Upgrade and modernise physical dealerships.



3. GROW FINANCE LOAN BOOK

Increase financial penetration.

Implement digital application and fulfilment.

Explore acquisition opportunities.

4. IMPROVE DIGITAL OFFERING

Refine full end-to-end online buying process.

Automate internal processes.



5. CUSTOMER EXPERIENCE

Deepen our connection with our 130,000 followers on social media.

Invest in customer care team.

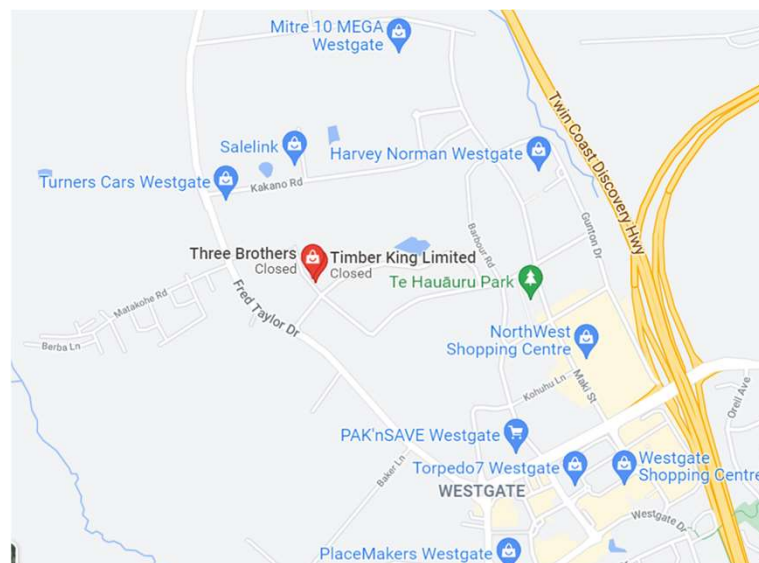
Uplift net promoter score.



EXPANSION OF DEALERSHIP FOOTPRINT

WE ARE PLEASED TO ANNOUNCE THE RECENT COMMITTED TO A NEW DEALERSHIP AT 79 ROTU DRIVE, WESTGATE AUCKLAND

This will allow us to have a presence in the fast-growing high traffic area and we expect to open in January.



STRATEGIC EXECUTION – NEW HOME FOR NZAI

WORK IS UNDERWAY TO MOVE TO THE NEW EXPANDED VEHICLE PROCESSING HUB AND HEAD OFFICE FOR 2 CHEAP CARS



Benefits

- Pre-tax \$0.8m one off gain from leases negotiations.
- Increased processing capacity.
- Functional layout enabling automation.
- Approx. 1.5 x current foot print.
- More attractive location for staff and suppliers.

4. OUTLOOK



DAVID PAGE
CHIEF EXECUTIVE OFFICER



Market Dynamics

MARKET DYNAMICS CONTINUE TO INDICATE ONGOING DEMAND FOR USED VEHICLES

~145k

Used passenger vehicles imported annually¹

~17 years

Average fleet age of a NZ used imported vehicle²

3%

Growth of used import light vehicle fleet annually¹

4.8%

Average annual increase in fuel prices over the past 5 years³

THE CURRENT NZ VEHICLE FLEET AND MARKET

- The average age of vehicles on New Zealand roads is increasing.
- There is an estimated 800k light passenger vehicles nearing 'scrapping' age.
- Used passenger vehicle imports make up 58% of the entire passenger vehicle market.

GOVERNMENT AND ENVIRONMENTAL FORCES

- Over 80% of commuters use a light passenger vehicle to get to work.⁴
- The release of the clean car programme earlier this year is creating demand for more fuel-efficient vehicles, especially hybrid petrol-electric and fully electric vehicles.
- Rising fuel costs are pushing consumers towards more fuel-efficient vehicles.

Sources:

¹ Ministry of Transport, NZ Vehicle Fleet data, Past 5 year averages and latest available periods

² Motor Vehicle traders Register

³ Ministry of Business, Innovation and Employment, weekly fuel price monitoring, 2016 – 2021 data

⁴ 2018 Census of population



OUTLOOK

NZAI HAS A SOLID PLATFORM TO CONTINUE TO EXECUTE STRATEGY

Lockdown in Auckland has been challenging. NZAI has taken the opportunity to invest time to improve the business.

- NZAI is confident this will lead to improvement in the future, as the used automotive industry bounces back from Covid-19.
- Demand has remained strong for used vehicles outside of Auckland during lockdown, and Auckland is back to 85% demand in recent weeks.

Forecast demand for finance continues to be strong, NZAI expects this to grow in the coming year.

NZAI continues to leverage the opportunity presented by EV/HEVs under recent Government reforms.

Management are working to mitigate longer term risks.

- Supply of vehicles from Japan remains consistent, however buyers have started to experience increased competition at auctions.
- Deliver uplift in worker engagement / retention.

Setting up for growth.

- Execute on move to the new vehicle processing hub, embedding lean processes and expanding capacity.
- Plan to expand retail footprint to grow business, and have secured new site in Westgate Auckland, with further sites being actively pursued.
- In advanced stages of discussions to secure funding to support loan book growth.



5. Q&A

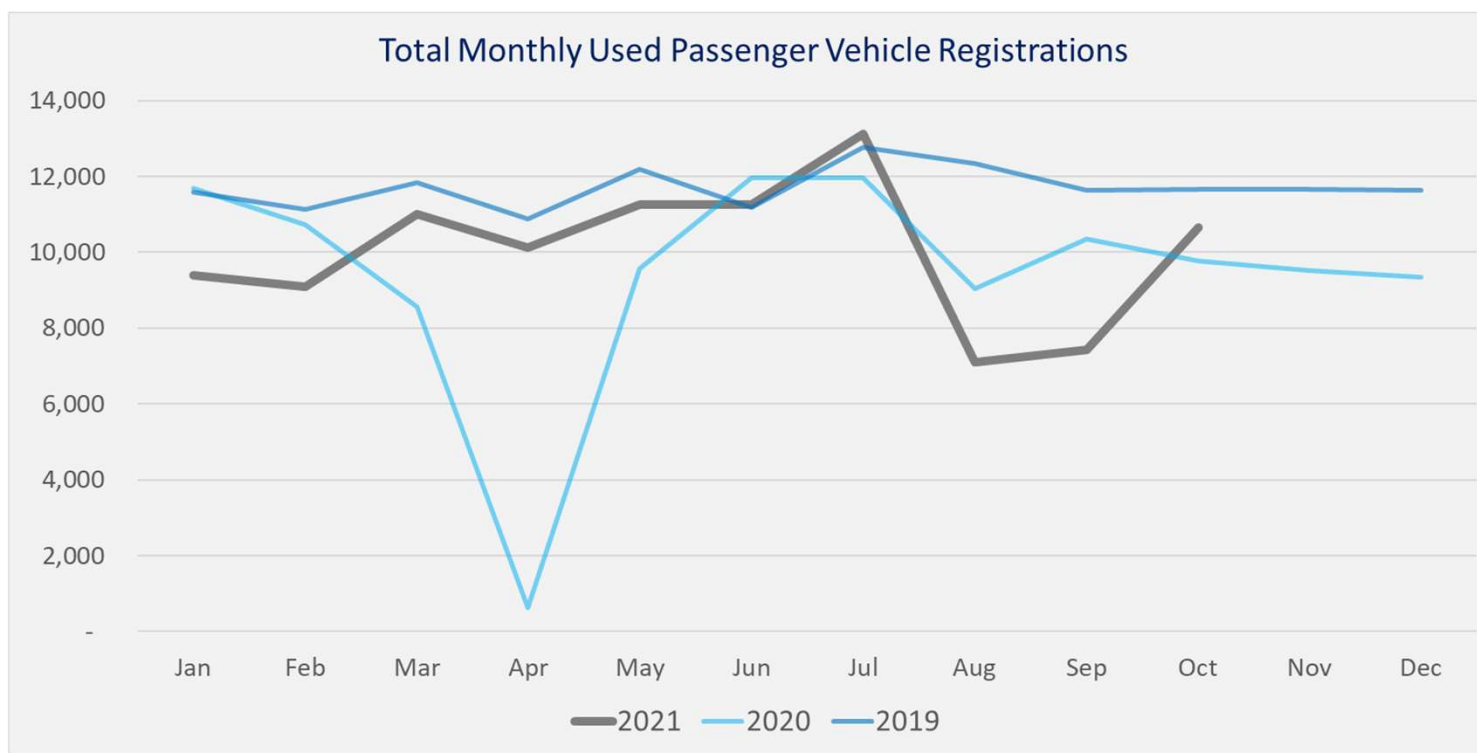


APPENDIX



APPENDIX A | TOTAL MONTHLY USED PASSENGER VEHICLE REGISTRATIONS

USED CAR IMPORT MARKET IN NEW ZEALAND IS UP 12% ON HY21 BUT REMAINS DOWN -15% ON HY20 DUE TO COVID



Source: NZTA and Autofile.



APPENDIX B | HY22 PERFORMANCE

NZAI ACHIEVED 10.1% EBITDA MARGIN AFTER RESPONDING TO FURTHER COVID-19 DISRUPTIONS

	HY22	HY21	Change
Revenue and income	30.8	29.9	3.3%
Sundry income	0.4	0.8	(51.9%)
Total revenue and income	31.2	30.7	1.9%
Operating expenses	28.1	26.7	5.2%
EBITDA inc finance income	3.2	4.0	(20.7%)
<i>EBITDA Margin</i>	<i>10.1%</i>	<i>12.9%</i>	<i>-2.9%</i>
D&A	0.9	1.0	(8.0%)
EBIT	2.2	3.0	(25.0%)
Interest expense	0.3	0.2	27.9%
NPBT	2.0	2.8	(28.7%)
Tax	0.6	0.9	(36.5%)
NPAT	1.4	1.9	(25.0%)
<i>NPAT Margin</i>	<i>4.5%</i>	<i>6.1%</i>	<i>(1.6%)</i>



APPENDIX C | BOARD AND MANAGEMENT PROFILES



KARL SMITH

CHAIRMAN

Karl is a professional independent director who has over 40 years' extensive executive and governance experience. His current directorships include Hamilton Jet, FortHill Property Limited (Chair) and VetNZ Limited. Karl previously held directorships in Ports of Auckland, Lyttleton Port Company and the Crusaders Franchise Limited. Prior to becoming a professional director, Karl served as Chief Executive Officer of Gough Group Limited and previously held senior executive positions in PDL Holdings, Progressive Enterprises, Crane Group and Citibank N.A. Karl was appointed as Director and Chairman of NZAI in September 2020. Karl holds a Bachelor of Commerce from the University of Canterbury, is a graduate of the Advanced Management Program at Harvard Business School, is a Fellow of Chartered Accountants Australia and New Zealand and is a chartered member of the Institute of Directors.



EUGENE WILLIAMS

EXECUTIVE DIRECTOR, CO-FOUNDER

Prior to founding 2CC in 2011 with David Sena, Eugene had been a successful small business owner in the education and FMCG sectors. Eugene is responsible for sales and marketing and overall strategy of NZAI. He has been a Director of NZAI since its inception.



DAVID (YUSUKE) SENA

EXECUTIVE DIRECTOR, CO-FOUNDER

David founded 2CC in 2011 with Eugene Williams. He is responsible for all procurement and supply chain aspects of the Company including compliance, re-conditioning, and logistics. David was born in Japan and has been influential in developing and maintaining relationships with vehicle suppliers. He has been a Director of NZAI since its inception.



APPENDIX C | BOARD AND MANAGEMENT PROFILES



TRACY ROWSELL

DIRECTOR

Tracy is an advisory partner at BDO Auckland, with more than 20 years of experience in providing business advisory and taxation services to a wide array of local and overseas clients. She has provided advice to 2CC since 2012 and has a close understanding and knowledge of the business. Tracy has been a Director of NZAI since December 2020.



CHARLES BOLT

INDEPENDENT DIRECTOR

Charles has a background in corporate law and as a senior executive in a major listed company. Beginning his career in capital markets regulation with the NZX, he then worked for New Zealand law firm Bell Gully before joining Fletcher Building where he most recently held the role of Group General Counsel and Company Secretary until 2019. He is currently General Counsel for TIL Logistics Group Limited. Charles holds an LLB from Victoria University and has completed the Senior Executive Programme at Columbia University, New York. Charles has been a Director of NZAI since December 2020.



MICHELE KERNAHAN

INDEPENDENT DIRECTOR

Michele is the former Chief Executive Officer of New Zealand's largest temperature-controlled transport and logistics business, Hall's Group. Prior to joining Hall's Group in 2019 she held various Executive roles at Fletcher Building over 21 years, including as Chief Executive of the Building Products division. She holds a Master of Business Administration and Bachelor of Arts from the University of Canterbury and has completed the Advanced Management Programme at Harvard Business School and other Executive programmes at Wharton Business School, Stanford School of Business and Melbourne Business School. Michele has been a Director of NZAI since February 2021.



APPENDIX C | BOARD AND MANAGEMENT PROFILES



DAVID PAGE

CEO

David has worked across a diverse range of industries, holding a range of large-scale general management roles and corporate governance responsibilities. David has over 25 years' asset finance and banking experience, which includes a comprehensive knowledge of consumer, motor vehicle and commercial asset finance. David recently spent 10 years at ASB, where he was responsible for setting up the Asset Finance business and growing the Specialist Industries business which included Asset Finance, Franchise Banking, Healthcare Banking, Professional Services Banking, Maori Financial Solutions, Industry Development and Strategic Partnerships. David joined NZAI as CEO in December 2020.



HAYDN MARKS

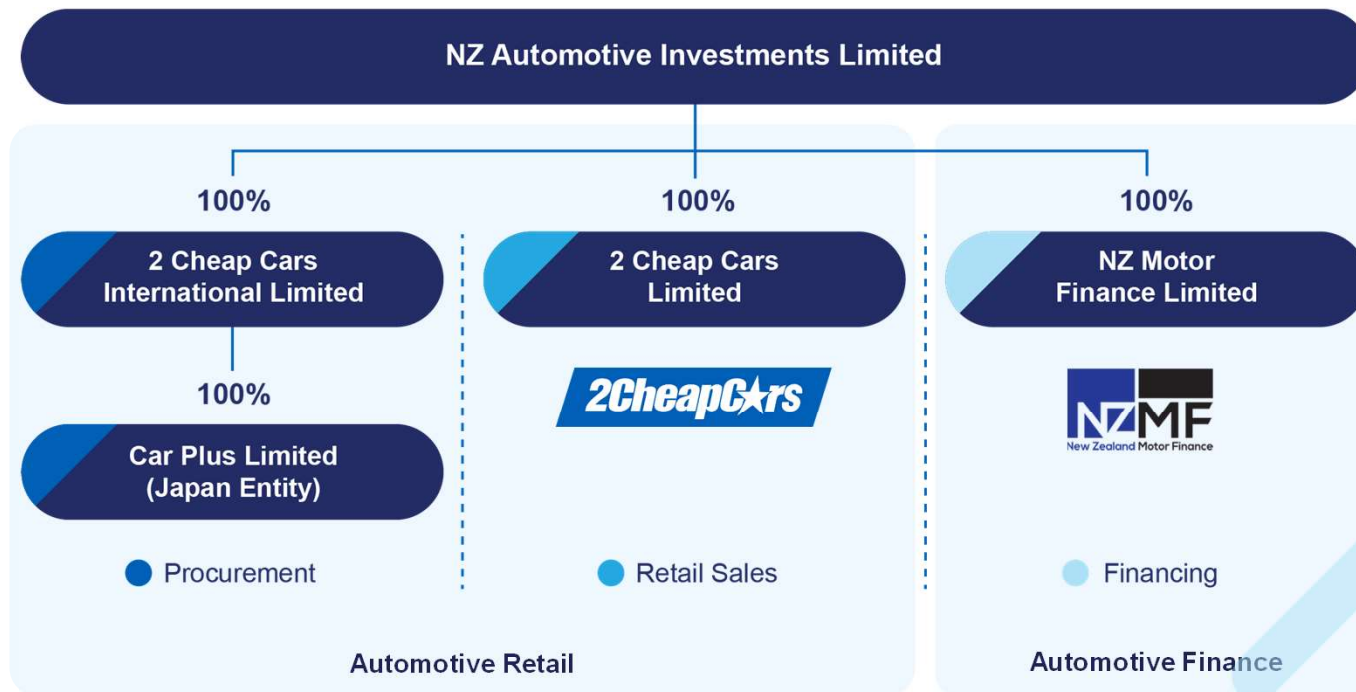
CFO

Haydn has over 20 years of financial management and leadership experience across financial services and technology sectors, including most recently four years as CFO with a listed technology company, Straker Translations (ASX:STG), where he took the company to IPO on the ASX in 2018. After starting his career in advisory services in New Zealand, Haydn spent 10 years working in London, most notably, in a commercial group finance role with banking software company Temenos (TEMN:SWX) and prior to that held finance roles at Credit Suisse and Visa card. Haydn is a member of Chartered Accountants Australia and New Zealand and holds a Bachelor of Business from Massey University. Haydn joined the NZAI Group in November 2020.



APPENDIX D | COMPANY STRUCTURE

NZAI is an integrated used automotive group operating throughout New Zealand via two divisions: Automotive Retail and Vehicle Finance.



THANK YOU



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