

HY23 results

Presentation

NZ AUTOMOTIVE INVESTMENTS

HALF YEAR FINANCIAL RESULTS
TO 30 SEPTEMBER 2022

28 November 2022



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All information presented is current at 30 September 2022, 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 overview | Michael Stiasny, Chair

2. Financial results | Haydn Marks, CFO

3. Business update | Michael Stiasny

4. Outlook

5. Q+A



HY23 Summary of key results

\$40.2M

REVENUE & INCOME

▲ up 29%

\$0.6M

NPAT

▼ down 60% (\$1.4m)
(Includes \$0.7m restructuring & non recurring costs)

\$1.0M*

UNDERLYING NPAT

▼ down 27%

0.0 CPS

INTERIM DIVIDEND

No interim dividend will be paid this half

0.2 CPS

Underlying EPS

▼ down 26%

\$3.5M

NET OPERATING CASHFLOW ex LENDING

▲ up \$1.7M (\$1.7m)

*Underlying NPAT is a non-IFRS measure. It excludes non-recurring costs including restructuring and consulting expenditure arising from significant changes to the Board of Directors and management .



HY23 Business overview

- Vehicle retail business stabilising
- Improved sales and marketing capability re-established
- Total vehicle sales up 11% compared with HY22
- Online sales accounted for 23% of total sales
- Sales of EVs and HEVs doubled to 40% of total sales
- Finance & Insurance penetration down from 32% to 26% (impact of CCCFA lending regulations and rising interest rates)
- NZ Motor Finance lending paused under review by the Board



Financial results



HY23 Financial results

Compared with HY22:

- Revenue and income **up 29%** to **\$40.2m**, driven by increased sales volumes and inflationary impacts.
- Contribution margin up by 7.5% to \$7.4m, impacted by lower F&I income.
- Operating expenses are up by 9.3% to \$4.5m due to investment in marketing.
- Underlying EBITDA including finance income decreased \$0.3m from \$3.2m to **\$2.9m** as a result of sales volume increases being off-set by lower F&I income and increased marketing spending
- Net profit after tax (NPAT) of \$0.6 million includes restructuring and other non-recurring costs of \$0.7m.
- Underlying NPAT decreased from \$1.4m to **\$1.0m**.

NZD \$m	HY23	HY22	Change
Revenue and income	40.1	30.8	30.1%
Sundry income	0.0	0.4	(94.1%)
Total revenue and income	40.2	31.2	28.6%
Contribution margin	7.4	6.9	7.5%
Operating expenses	4.5	4.1	9.3%
Underlying EBITDA inc finance income	2.9	3.2	(7.4%)
<i>Underlying EBITDA Margin</i>	<i>7.3%</i>	<i>10.1%</i>	<i>-2.8%</i>
Non-recurring costs	0.7	-	N/A
EBITDA inc finance income	2.3	3.2	(28.2%)
D&A	1.0	0.9	9.7%
EBIT	1.2	2.2	(44.1%)
Interest expense	0.5	0.3	90.4%
NPBT	0.8	2.0	(61.2%)
Tax	0.2	0.6	(64.0%)
NPAT	0.6	1.4	(60.0%)
Tax effect of non-recurring costs	0.2	-	N/A
Underlying NPAT	1.0	1.4	(26.4%)
<i>Underlying NPAT Margin</i>	<i>2.6%</i>	<i>4.5%</i>	<i>(1.9%)</i>
Underlying EPS	0.02	0.03	(26.4%)



HY23 Cash flow

Compared with HY22:

- Net cash flow (excluding loan book lending) increased by \$1.7m to **\$3.5m** on the back of reducing inventory levels.
- NZMF lent \$1.4m to customers and collected \$2.5m in receipts resulting in net loan book lending of (\$1.1m).
- The loan book is currently in run down mode while lending is paused, resulting in a \$1.7m increase in operating cash flow.
- Total net operating cash flow improved by \$3.4m to **\$4.6m**.

Cash flow summary (NZD \$m)	H1 FY23	H1 FY22	Change
Net cash flow exc loan book lending	3.5	1.8	1.7
Net cash flow loan book lending	1.1	(0.6)	1.7
Net operating cash flow	4.6	1.2	3.4
Investing cash flow	(0.1)	(0.3)	0.2
Financing cash flow	(2.1)	(2.1)	0.1
Net cash flow	2.4	(1.3)	3.7
Cash equivalents	6.2	3.8	2.4



HY23 Financial position and funding

Compared with FY22:

- Inventory turnover improved, dropping from 99 days to 79 days.
- Loan book reduced from \$6.8m to **\$5.6m**.
- Balance sheet remains solid with \$6.2m in cash and net debt of \$4.4m as at 30 September 2022.
- The business is in discussions to replace Retail Trade Finance Facility.

Balance sheet summary (NZD \$m)	H1 FY23	FY22
Cash equivalents	6.2	3.8
Inventories	12.7	13.3
Loan receivables	5.6	6.8
Other assets	11.7	14.0
Total assets	36.1	37.9
Borrowings	10.6	11.8
Other liabilities	10.1	11.0
Total liabilities	20.7	22.8
Equity	15.4	15.1



Business update



Our strategy



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.
- Invest in brand / advertising.



3. Grow finance loan book (pending review)

- Increase financial penetration.
- ✓ Implement digital application and fulfilment.

4. Improve digital offering

- ✓ Refine full end-to-end online buying process.
- ✓ Automate internal processes.
- Execute on customer insights.



5. Customer experience

- Deepen our connection with our 130,000 followers on social media.
- ✓ Invest in customer care team.
- ✓ Uplift net promoter score from 4.2 to 4.4.
- Deliver customer value through partnerships.

✓ Progress made

○ Next Step



Business update

Automotive Retail - 2 CHEAP CARS

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Dealerships

4,281

Cars sold in HY23

23%

Digital sales

6.5%

Market share

VEHICLE SALES AND REVENUE

- Total vehicle sales up 11% (compared with COVID-19 impacted HY22)
- Revenue up 30% on the prior period
- Sales of digital origination accounted for 23% of total sales

PROCESSING CAPACITY

- The vehicle processing hub in Onehunga is increasingly a one-stop-shop, reducing the need for outsourcing.
- New operational activities at the hub will continue to add value - increasing production and reducing costs.

CAPABILITY

- Appointed a new General Manager Sales and Marketing Manager

INDUSTRY LEADERSHIP

- Joined leading industry bodies (Drive Electric, VIA and NZJBC)

*Source: NZTA; based on 2 Cheap Cars' vehicle sales as a proportion of used cars registered in New Zealand for the first-time between 1 April 2022 and 30 Sep 2022.



Dealership footprint expansion

A significantly larger Wairau Valley site accommodates 25% more vehicles



Growth opportunity

Electric & hybrid electric vehicles (EV/HEVs)

NZAI has a focused EV/HEV strategy and is well positioned to meet increasing demand

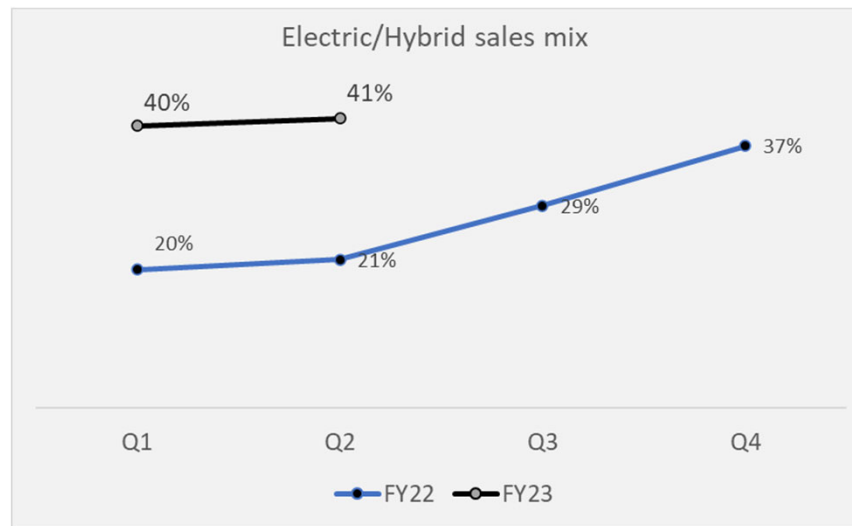
61,892

Electric vehicles on the road in NZ up 89% pa (Source: Ministry of Transport, 9 Nov 2022).

1,733

Number of EV/HEVs
2 Cheap Cars sold in HY23,
an increase of 122% on HY22

EV/HEV SALES GROW TO 41% OF TOTAL SALES



Growth opportunity

Expected impact from Clean Car Import Standard

CLEAN CAR DISCOUNT SCHEME

- Targeted at consumers
- Expanded scheme introduced 1 April 2022
- Driving demand for Hybrid used cars and cleaner ICE vehicles
- Rising fuel costs continuing to drive consumers towards more fuel-efficient vehicles
- Hybrid and EV sales up 124% at 2 Cheap Cars

CLEAN CAR IMPORT STANDARD

- Targeted at importers
- To be introduced 1 January 2023
- Intention to drive change towards importing lower emission vehicles
- 2 Cheap Cars expects to be in a credit position in FY23
- Future opportunities to trade credits



Outlook



Outlook

Focus areas for FY23

- Targeting expansion of the dealership distribution network
- Investing in brand marketing and digital engagement campaigns
- Further leveraging EV/HEV opportunities
- Improving (third party provider) F&I penetration rates
- Improving core supply chain capabilities, including purchasing and reducing outsourcing activity
- Actively engaging with industry associations
- Securing appropriate finance facilities and appointing a new auditor



Q+A



Thank you



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