

14 September 2021
Company Announcement
NZX:NZA



NZ Automotive Investments Limited half year trading update

New Zealand based integrated used automotive group NZ Automotive Investments Limited (NZAI/the Company) (NZX:NZA) advises that with Auckland remaining at Covid-19 alert level 4 until at least 11:59pm on Tuesday 21st of September 2021, its business continues to be affected by a reduction in car sales, vehicle processing and associated revenue reductions.

The Company now expects underlying net profit after tax for the half year to 30 September 2021 to be in the range of between \$1.4m to \$1.6m, down on the prior comparative period of \$1.87m.

The company remains in compliance with all bank covenants and, at the time of writing, is in a solid financial position with cash balances of \$5.4m and net debt of \$3.7m.

Since the Covid-19 restrictions have been in place, the 2 Cheap Cars business has been able to successfully trade in its six dealerships outside of Auckland at alert level 3, through its digital online click and collect capability, and closer to a full extent at alert level 2. However, the Company's performance has been affected by continued closure of its six Auckland dealerships, as well as the closure of the vehicle processing hub while Auckland remains at alert level 4.

Once Auckland moves down the alert levels, management expects the business to bounce back in the second half of the financial year as it did last year after the April/May lockdowns. Based on last year's performance, at alert level 2, vehicle sales in affected dealerships are expected to resume back close to full levels. From alert level 3, the Auckland vehicle processing Hub can also resume processing cars for supply to the Company's dealerships. However, any prolonged extension of alert level 4 or 3 restrictions would have a further material impact on financial performance over the rest of the financial year, depending on the duration and geographic scale of the restrictions.

As announced at the recent Annual Shareholders' Meeting, prior to the lockdown, the business was performing well, ahead of the same Covid-19 affected period last year. The Company has also announced that it has secured a lease of new premises in Onehunga for its vehicle processing hub, with the move to the new premises expected to be completed by February 2022. Amongst other things, it is expected that the new premises will improve efficiencies and provide expanded capacity to process cars ready for sale.

As a consequence of the move and rearrangement of its leases, NZAI is expected to benefit from a one-off non-recurring gain of approximately \$0.8m before tax in the second half of the current financial year. The net benefit will be used to invest in the business as part of the Company's strategy for growth. The ongoing lease and related premises costs from the move to the Onehunga site are not expected to be materially different from the current lease arrangements.

The company expects to release its half year results at the end of November 2021. We will update the market on trading conditions when these results are released.

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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

