

**Turners delivers record HY result, driven by Auto Retail.**

Turners Automotive Group (NZX/ASX: TRA) achieved a record result for the six months to 30 September 2023, despite a challenging macro environment. This demonstrates the resilience of Turners' diversified business underpinned by a strong team culture and a focus on implementing an effective strategy for organic growth.

**Key HY24 financial metrics**

- Revenue \$214.2m (+16%)
- EBIT \$30.2m (+16%)
- NPBT \$25.7m (+10%)
- NPAT \$18.5m (+8%)
- Earnings per share 21.2 cps (+7%)
- Q2 fully imputed dividend declared at 6.0 cps

**Highlights**

- Record net profit before tax of \$25.7m for HY24 (HY23 \$23.4m), 10% ahead of same period last year despite material macro challenges.
- Reaffirming guidance from October, 2023, that after a strong HY, FY24 result is expected to be ahead of FY23.
- Forecast fully imputed dividend at this level of profit will be at least 24 cps, up 4% on FY23
- Despite uncertain macro environment, diversification and resilience of the business continues to deliver robust earnings and consistent dividends with Q1 dividend paid at 6.0 cps and Q2 dividend declared at 6.0cps.
- Three out of four divisions – Auto Retail, Insurance and Credit Management – well ahead of last year on profit contributions.
- Headwinds for Finance Division from rising interest rates may become tail winds as interest rate environment improves, lifting margins.
- Stand out performance from Auto Retail growing volume and market share in a NZ used car segment which is up 6% year-to-date. Increased confidence in achieving 10% market share target.
- Turners auto retail network expansion and vehicle sourcing strategy underpins growth.
- Continued high levels of team engagement scores (top 5% of consumer businesses globally), coupled with high take up of employee share scheme (~50%)

CEO Todd Hunter said, “Despite challenging macro conditions, Turners has demonstrated it has the right strategy to maximise opportunity through the cycle, and is well-positioned as market conditions start to improve and the interest rate environment stabilises. With the NZ used car market growing 6% year to date, Turners has grown market share and volumes to produce a stand-out result. Meanwhile, the number of dealers in the market is down 18% from the 2017 peak. As market conditions stabilise, we are well placed to continue our strong growth underpinned by our network expansion as well as our agile sourcing strategy that is driving additional sales. We are also supporting emissions reductions by focussing on low emitting vehicles and have achieved a 39% reduction in emissions for cars imported by Turners between 2019 and 2023.

“We expect to continue this momentum into our second half to deliver a full year result ahead of last year, reiterating the guidance we provided in October, 2023.”

## Financial results

Reported NPBT for HY24 rose 10% to \$25.7m. Earnings per share for HY24 were 21.2 cps, up 7% on the same period last year. The Board paid a fully imputed Q1 dividend of 6.0 cps, and has declared a fully imputed Q2 dividend of 6.0 cps, taking HY24 dividends to 12.0 cps, on track for a full year dividend of at least 24 cps.

Chairman Grant Baker said, “Turners has been growing dividends for almost a decade as we continue to refine our diversified business platform to deliver robust earnings and returns for shareholders. Based on a projected 24 cps full year dividend and a \$4.25 share price, this reflects a gross yield of 7.8% per annum. This is built on a strong team that focuses on continuous improvement. We are delighted with the uptake of our employee share scheme so that our people are also rewarded for their investment in the business. Not only has the used car market proved resilient, but we are seeing signs of an improving interest rate environment. Net Interest Margin has stabilised and will expand once the OCR rate cycle reverses.”

## Key Drivers of HY24 result

- Strong growth in auto retail revenues through increase in volume, margins and finance attached. Agile sourcing driving additional sales along with expansion of our auto retail network.
- Continued growth in damaged and end of life vehicle units sold due to aging NZ vehicle fleet and weather events.
- Interest rate environment continues to negatively impact finance net interest margin, however they have now stabilised and we expect a gradual recovery.
- Finance arrears have increased as expected from historic lows but are performing significantly better than market levels reflecting quality focus.
- Earnings diversification and resilience of business demonstrated in a challenging economic environment.

## Divisional results

- Refer to appendix

## Q3 Update

- Auto Retail: Volumes and margins holding up well in car sales. Damaged vehicle volumes still strong.
- Finance: Economic environment reducing SME’s cash buffer for shock events and the expectation is arrears will increase if unemployment rate lifts. Oxford still hold an economic overlay provision buffer of \$2M which is unchanged from March 2023. Net interest margin and profit has stabilised.
- Insurance: Claims continue to track below expectations, investment returns improving and policy sales holding up well.
- Credit: Corporate debt load recovering slower than expected, but SME debt load increasing quickly. NZ Credit metrics continue to deteriorate.

## Outlook

A strong first half performance, combined with Q3 outlook, provides confidence to reaffirm guidance that FY24 full year result will be ahead of FY23 (reiterating guidance from October 2023). The full year dividend at this level of profit is forecast to be at least 24 cents per share, which would represent a 4% improvement on last year.

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## Appendix: Divisional Results

*Auto Retail: Revenue \$156.1M +20%, Segment Profit \$18M +62%*

- Market share continued to improve. Retail (BuyNow) unit sales up 8% to around 10,100. Wholesale auction unit sales up 4% to c. 9,800 units.
- Total owned units sold in HY24 up 10% over HY23. Overall margin on owned cars up 66%. Average cost of a unit in inventory down 8% to \$8,300 per unit.
- HY24 Finance Attach rates improved to 34% up from 32% in HY23
- Damaged vehicle unit sales up 31% arising from tail end of weather events in Q423 as well as old fleet reaching the end of life
- Agile sourcing driving additional sales. Vehicle sourcing capability continues to improve through lead generation, frontline tools, and pricing strategies. Continued improvements in use of data has helped lock in structural improvements in margin.

*Finance: Revenue \$30.2M +3%, Segment Profit \$5.1M (-44%)*

- Loan book starting to grow again off the back of stronger consumer lending
- Net interest margin has stabilised and is back growing, expected to gather pace as a reducing OCR cycle begins
- Interest expense up 62% for HY24 compared to HY23 with loan book down 4% over the same period
- Controlled lending through own Turners and Direct channel up 24% in HY24 to \$47m
- Loss on disposal of pre-GFC property security \$300k.
- Credit policy continued to be tightened through HY24.

*Insurance: Revenue \$22.7M +5%, Segment Profit \$7.1M +14%*

- Market share gains drove growth in policy sales. MBI premium up 3% on prior year
- Claims cost inflation offset by reduction in claims due to motorists driving less
- Underwriting profit up 1%. Operating cost Ratio steady.
- AM Best has revised the outlook to positive from stable for the Long-Term Issuer Credit Rating and affirmed the Financial Strength Rating of B++ (Good)
- Google Rating and Customer Net Promoter Score continuing to increase.

*Credit Management: Revenue \$5.3M +8%, Segment Profit \$1.8M +29%*

- Current NZ wide arrears level is now tracking above 2018 levels after coming off historic lows, a trend expected to worsen over coming months
- Debt value loaded increased by 32% to \$83.7m as market wide credit metrics continue to deteriorate. NZ SME debt load is up 45% year on year
- Debt value collected way up 10% to \$20.5m with cost of living pressure resulting in longer settlement arrangements to address outstanding debts
- Promises to Pay kept rate has also reduced from 73.1% in HY23 to 71.4% in HY24.

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### About Turners

Turners Automotive Group Limited is an integrated financial services group, primarily operating in the automotive sector [www.turnersautogroup.co.nz](http://www.turnersautogroup.co.nz)

### For further information, please contact:

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