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Market Announcement

NZX:NZA

NZAI ASM SCRIPT

SLIDE – NZAI 2022 ANNUAL SHAREHOLDERS' MEETING

Gordon Shaw

Good afternoon everyone.

My name is Gordon Shaw and I am a newly appointed director – and Interim CEO – of New Zealand Automotive Investments Limited.

A warm welcome to our shareholders and guests here at the Hub as well as those who have joined via webcast. This is your meeting and we appreciate you making the effort to be here.

We are particularly pleased to be able to hold this meeting at the Hub. It's an impressive facility and it really is the engine room of NZAI's operations.

As it's 3.00pm, I am pleased to declare the 2022 Annual Shareholders' Meeting of NZ Automotive Investments open.

On the screen behind me, is Michael Stiassny, the Chair of NZAI. On the stage to my [left] are executive director David Sena, co-opted independent director Samantha Sharif and CFO, Haydn Marks. Also here today are our former auditors, Grant Thornton and legal representatives from Lowndes Jordan.

I'll now hand over to Michael to address the meeting.

SLIDE – CHAIR'S OPENING REMARKS

Michael Stiassny

Good afternoon everyone. I apologise for not being able to attend this meeting in person today. When I was appointed to the Board on 21 August, I had already scheduled commitments. Given the possibility of technical issues, I have asked Gordon to chair this Annual Meeting on my behalf.

At the outset, I'd like to acknowledge the recent turmoil that has overtaken NZAI and the significant impact that has had on you, our shareholders, as well as our staff and stakeholders. Naturally, you will



have questions about what has gone on and we will respond as openly as we can during this meeting. However, our focus is – and must be – on the future.

In the simplest terms, your new Board understands that NZAI has underperformed and this must be remedied for the benefit of all shareholders.

The new Board was constituted less than two weeks ago and we are intent on stabilising the company as quickly as possible.

Our first step has been to appoint Gordon as Interim CEO as we undertake an executive search for a new Chief Executive Officer. And, to enable Gordon to step into this role which technically makes him an executive director, we co-opted Samantha Sharif to the board to meet the NZX rules regarding independent directors.

We are moving at pace. Gordon's immediate focus is on ensuring the fundamentals are right: Low costs and high volumes that generate healthy margins are the drivers that made NZAI a successful business in the first place.

He will shortly take you through the progress that's being made, but I would reiterate that given our very recent appointment, we have yet to fully review strategy, resources and costs. Therefore, there will be no substantive overview of the future strategy at this time.

However, I can assure you that your new Board is absolutely committed to strong governance, full transparency and providing timely updates as and when any changes in strategy are forthcoming.

I'll now hand back to Gordon.

SLIDE – AGENDA

Gordon Shaw

Today's agenda is on the screen behind me.

Our Chief Financial Officer, Haydn Marks will take you through last year's operating performance and the progress that has been made in the year to date.

Following Haydn's presentation, I will give you a brief update on developments that have occurred since the new Board was constituted. I will then oversee voting on the resolutions set out in the Notice of Meeting.

We remind any media present or online that, while you are welcome, this is a meeting for shareholders. Michael and I will be happy to talk to you after the meeting.



SLIDE 6 – FINANCIAL RESULTS AND OVERVIEW FY22 / YTD23

I'll now hand over to CFO Haydn Marks to present the full year 2022 results and year to date financial update.

Haydn Marks

Looking to the highlights from FY22.

SLIDE – OVERVIEW FY22

In February, the business moved to a much larger and better configured Vehicle hub facility, which considerably expanded its vehicle processing capacity to position the business for stronger sales growth.

..... For guests here today, you will have seen the impressive scale of the operation.

Demand for electric and hybrid electric cars has continued to grow on the back of the Government's Clean Car Discount Scheme and increasing petrol and diesel costs. 2 Cheap Cars anticipated this demand, increasing its inventory of high quality EV and HEV vehicles and has seen sales in this segment grow significantly.

The 2 Cheap Cars brand continues to expand across New Zealand. This year, we opened two new Auckland dealerships in Westgate and an expanded New Lynn site.

This growth in the 2 Cheap Cars physical footprint was complemented by an enhanced digital offering. We successfully implemented "buy now" on-line capability that has helped mitigate the vehicle sales decline which occurred during the lockdowns.

Other highlights in the year to 31 March saw the NZ Motor Finance loan book grow by 72% to \$6.8m.

And, there was an uplift in customer net promoter score from 4.33 to 4.5 on Buy Score which reflects a positive experience for customers during the purchase process.

SLIDE – RESULTS FY22

Turning to the FY22 financial results.

The Company had a difficult year, navigating through COVID trading restrictions and dealing with the impact of changes to lending regulation under the Credit Contracts and Consumer Finance Act, which I'll refer to as the CCCFA.

Revenue and Income was slightly down against FY21 at \$66m, driven by inflationary factors and lower sales volumes.

The Company's statutory NPAT, which included a one off gain on the rearrangement of leases associated with the move to the new Hub, was \$2.6m, down \$0.6m on the previous year.

Excluding the gain, the FY22 underlying NPAT was \$1.7m, down 55.7% from \$3.8m in FY21.

A total dividend of 3.1 cents per share was paid for FY22.



SLIDE – OVERVIEW YTD

Over the first four months of the new financial year, our estimated market share of used vehicle sales has increased to 7.4%, up from 6.9% against the same period last year.

As a result of the introduction of the Government's Clean Car Discount scheme and increasing fuel costs, 40 per cent of all 2 Cheap Cars sales have been EVs and HEVs over the past four months.

The dealerships are 85% full due to the increased output from the vehicle processing hub which is pleasing.

SLIDE – PERFORMANCE YTD

We move to the year to date performance of the Group Please note these figures are unaudited.

The operating environment has been challenging with inflationary pressure, economic uncertainty, and rising interest rates.

As noted earlier, the business has also been impacted by changes to lending regulation under the CCCFA, with Finance & Insurance penetration falling by 19% for the period. This is a business area currently under review.

While revenue and income is up 10% to \$27.7m, this is largely on the back of inflationary price increases on vehicles.

The contribution margin is down \$0.5m due to the impact of changes to lending regulation under the CCCFA and slightly lower vehicle sale volumes.

Underlying operating costs are up \$0.2m, mainly due to increased marketing spend.

As a result, the underlying NPAT is \$0.8m, a slight improvement on the preceding four months but down \$0.5m on the same period last year.

Lending has been paused on the Finance Company's loan book, with the value dropping from \$6.8m to \$6.3m between March 31 and July 31 2022.

The new Board will make decisions regarding the direction of the Finance Company in the coming weeks.

SLIDE – BOARD & INTERIM CEO UPDATE

Gordon Shaw

As Michael noted in his introduction, your Board's focus has been on understanding the challenges within the business, as well as the external factors that have impacted the Company's financial performance.

I took over as Interim CEO several days ago, at 5pm on Friday 26 August. Ensuring we have a strong team is critical to the future success of NZAI, so is its operational strategy and delivery. So, my immediate priority has been with our people.

In the past week I have spent time getting to know the Auckland-based NZAI team, making plans to visit our branches across New Zealand, and focusing on recruitment for key vacancies.

This week David Sena was appointed to the role Chief Operating Officer for a period of six months. His specific skills and experience are invaluable as we look to ramp up the Hub's processing capacity and quality assurance measures. David will be instrumental in reviewing supplier arrangements that are



currently outsourced in order to drive performance, reduce rework and consequent after sale quality claims.

I'd like to take this opportunity to publicly thank the NZAI team who have welcomed and supported me as I get my feet under the desk.

SLIDE – IMMEDIATE BOARD PRIORITIES

In many ways, NZAI is a simple business model based on high volumes and low margins. Success relies on four key factors:

- flexibility - being able to quickly react to changes in the second hand motor industry.
- strict discipline to contain costs;
- ensuring that any investment is subject to robust scrutiny and generating appropriate returns; and
- improving Finance and Insurance (F&I) penetration rates.

Therefore, we are carefully examining and re-calibrating the core business which in turn will improve financial performance, and importantly, rebuild shareholder value.

We have already identified measures that we believe will lead to improved cost-efficiencies including:

- reconfiguring the work flow within the Hub;
- further reducing out-sourcing and expanding vehicle preparation activities undertaken at the Hub to make it a one-stop-shop prior to sale; and
- strengthening our existing key supplier partnerships and expanding our networks.

With regard to improving F&I performance, we recognise that market conditions and access to credit has tightened. Strengthening partnerships with our F&I providers and ensuring our branch network is sufficiently trained to maximise sales in this area is a critical first step.

As previously announced, the new Board will continue to review the direction of NZ Motor Finance.

We are also carefully reviewing the Company's management and organisational structure to ensure it is appropriate for the size and scale of the business, that it is cost-effective, and that it enables the Company to operate efficiently.

One of the Company's key strengths is its Japan-based procurement team, enabling us to hand-pick the best cars for the New Zealand market. Following the significant disruptions in international travel caused by the pandemic, I will be joining David Sena in Japan within the next two months to meet our Japanese team and for key supplier and stakeholder meetings.

This week the Board appointed an executive search firm to work with us to recruit a permanent CEO for NZAI.

We also had promising preliminary discussions with a potential new auditor and we expect to be able to update the market later this month.

The directors have also had a constructive meeting with the Company's bankers. The discussions were positive and cordial and we will continue to engage with them prior to the current financial facilities maturing.

Two weeks in, there is a lot still to do but your new Board has the requisite skills and experience and has hit the ground running. We're committed to re-positioning the business for sustainable growth and turning the profitability tide in the shortest time frame possible.



We thank you for your patience and support and as Michael said, we will keep our shareholders well informed.

SLIDE – QUESTIONS ON PRESENTATIONS, ANNUAL REPORT & FINANCIAL STATEMENTS

I will briefly open the floor to questions specifically regarding Haydn's and my presentations, the Annual Report and Financial Statements only. We will take all **general** questions at the conclusion of the general business and questions from online participants will also be read and answered at that time.

Thank you. We will now move to voting on the resolutions laid out in the Notice of Meeting.

SLIDE – RESOLUTION 1 – To elect Michael Stiassny as a director

The first two resolutions concern the formal election of directors. Michael Stiassny was appointed as a director by the Board on 21 August 2022. In accordance with the Company's constitution, Michael Stiassny hereby retires and formally offers himself for election. I invite Michael to address this meeting.

[Michael Stiassny address]

[Gordon Shaw]

I now move that resolution 1 is put to shareholders – that Michael Stiassny be elected as a director of New Zealand Automotive Investments Limited.

Is there any discussion?

SLIDE – RESOLUTION 2 – To elect Gordon Shaw as a director.

As I am standing for election, I invite Michael Stiassny to introduce and oversee the vote on resolution 2.

[Michael Stiassny]

Gordon was appointed as a director by the Board on 21 August 2022. In accordance with the Company's constitution, Gordon hereby retires and formally offers himself for election. I invite Gordon to address this meeting.

[Gordon Shaw address]

[Michael Stiassny]

Thank you Gordon. I now move that resolution 2 is put to shareholders – that Gordon Shaw be elected as a director of New Zealand Automotive Investments Limited.

Is there any discussion?

Before I hand back to Gordon and we move to the third resolution, you will recall that on 22 August 2022, the directors advised the market that we had co-opted onto the Board, experienced independent director Samantha Sharif. Samantha will sit on the Board until such time as a new CEO is appointed and Gordon Shaw completes his Interim CEO function and can return to the Board as an independent director.

As Samantha is a co-opted director, she does not stand for election. However, it is noted that her appointment has the full support of the majority of shareholders and the New Zealand Shareholders Association.



Gordon Shaw

SLIDE – RESOLUTION 3 – Auditor’s remuneration

As previously advised, Grant Thornton have resigned as auditors of New Zealand Automotive Investments Limited.

As I noted earlier, the Board is confident of making an announcement regarding the appointment of new auditors in the coming weeks.

Section 207(s) of the Companies Act provides that the fees and expenses of the auditors are to be fixed in such manner as the company determines at the Annual Meeting. The Board proposes that, consistent with past practice, the auditor’s fees be fixed by the directors.

I therefore move that resolution 3 is put to shareholders – that the directors be authorised to fix the auditor’s remuneration for the coming year.

Is there any discussion?

So, if you haven’t already done so, webcast viewers please cast your votes. I will also then ask Computershare to collect the voting papers.

SLIDE – GENERAL BUSINESS & QUESTIONS

Are there any matters of General Business to be tabled or moved?

The directors will also be happy to answer questions from shareholders while refreshments are served at the end of the meeting.

Thank you.

SLIDE – THANK YOU FOR ATTENDING

That brings us to the conclusion of our business today and it remains for me first, to thank you for your participation, and secondly to invite those of you here to join the Board and Management for refreshments on the balcony.

I declare the meeting closed. Thank you.

