30 May 2025

Market announcement
NZX:2CC

FY25 results
Profitable result in subdued market environment

2 Cheap Cars Group Limited (NZX:2CC) has today reported a net profit after tax (NPAT) of **$3.3 million** for the full year to 31 March 2025 (FY25), a **$2.9 million** decrease from FY24.

This result is in line with previously announced guidance of FY25 NPAT to exceed NZ$3m, aided by the impact of carbon credits carried forward from prior years.

Summary of key results
(Figures quoted are in NZ dollars. Comparisons are made against FY24.)

- **Revenue and income**: $82.0m, down 6%
- **Gross margin**: $17.8m, down 14%
- **Vehicle sales**: down 6% to 7,675 units
- **Underlying EBITDA including finance income**: $8.0m, down 32%
- **Net profit after tax (NPAT)**: $3.3m, down $2.9m
- **Underlying net profit after tax (NPAT)**: $3.3m, down 47%
- **Underlying earnings per share (EPS)**: 7 cents per share (cps), down from 14 cps
- **Final gross dividend**: 2.97 cps
- **Total FY25 gross dividend**: 6.03 cps vs 11.56 cps

Reflecting New Zealand's continued economic downturn, a sharp fall in immigration and consequent softer market demand, the company achieved revenue and income of $82.0m, a decline of 6% on FY24.

Gross margin for FY25 decreased by 14% to $17.8m, driven by aggressive discounting across the used car sector to meet depressed consumer sentiment. Despite this decrease, gross margin represented a robust contribution margin of 21.7%.

The company's strategic focus on optimised purchasing and the insourcing of key compliance and refurbishment activities has continued to mitigate cost pressures. However, a decline in finance and insurance penetration rates and lack of diversified revenue streams has limited the company's ability to fully mitigate the prolonged downturn in the used car sector.

Included in the FY25 revenue is $1.7m related to carbon credits generated and retained in prior reporting periods, but not previously recognised due to uncertainty regarding their realisation. At the gross margin level, this revenue is partially offset by $1.1m of carbon credit costs associated with net credits attached to vehicles sold during FY25.

Operating expenses increased by 10% year-on-year, primarily driven by significantly rising costs of listing fees on third-party platforms. In response, the company is accelerating investment into 'owned' digital channels and will explore potential new third-party platforms to reduce long-term customer acquisition costs.

Operating expenses were also impacted by additional vehicle storage requirements due to increased in-house activity and broader inflationary pressures on rates and utilities. However, these increased costs were partially offset by targeted initiatives aimed at resizing the business and reducing business costs.

Interest costs, excluding those associated with leases, were down 44% on FY24, reflecting changes in finance facilities and prudent capital management.

A substantial part of 2 Cheap Cars' business has historically been linked to immigration. The prolonged economic downturn and a sharp decline in net migration, particularly in key urban centres, have contributed to reduced demand, resulting in a 47% decrease in underlying NPAT to $3.3m.

Net operating cash inflow was $6.7m, down $0.2m year-on-year. The company is well positioned with inventory valued at $14.9m up $1.1m compared with FY24, because of additional direct purchasing through its Japanese subsidiary, Car Plus.

As at 31 March 2025, 2 Cheap Cars is in compliance with all banking covenants and has cash of $5.3m and total equity of $21.1m.

The company's new banking facilities with ANZ, announced in March 2025, have further strengthened working capital flexibility, providing $5.0m in trade finance and a $1.0m flexi facility to support operational growth.

2 Cheap Cars Chief Executive, David Sena commented that despite the challenging market conditions, the company's fundamentals remain strong.

"We've never seen a more turbulent market than this, and there's no question that trading is tough. However, we are a resilient business, underpinned by maintaining prudent inventory levels, a laser focus on cost control, and optimising our retail footprint," he said.

Dividend

The Board has declared a final gross dividend of 2.97 cents per share (cps), bringing total FY25 gross dividends to 6.03 cps.

This represents 60% of net profit after tax (NPAT), in line with the company's stated dividend policy. Based on a share price of $0.75 as at the announcement date, the total FY25 gross dividend represents a yield of approximately 8.04%. The record date is 6 June 2025, and payment will be made on 20 June 2025.

Outlook for FY26

The first two months of FY26 have proven challenging as economic conditions remain uncertain. However, management expects trading conditions to improve as the cumulative impacts of declining interest rates and greater access to consumer credit take effect.

While 2 Cheap Cars' strategy remains focused on margin optimisation, it is also targeting increased volume through its expanding retail footprint and enhancing the customer experience through digital and operational improvements.

A key growth driver will be the opening of a new flagship site at Clemow Road, Sylvia Park, scheduled for August 2025. At close to 5,000 square meters with capacity for 150 cars, this site will materially increase retail capacity and enhance brand visibility in one of Auckland's highest-traffic zones.

Chairman Michael Stiassny noted that while the balance sheet is strong and the company remains well positioned to benefit from an upswing in consumer confidence, it would be reassessing its strategy.

"As the economic environment eases and consumer confidence returns, the used car sector is one of the immediate beneficiaries. That's simply because affordable, reliable cars are a necessity, not a luxury.

"However, the company is realistic about the need to continually flex to meet the market and to fine-tune operations to improve profitability. The Board and management are focused on ensuring the strategy remains fit for purpose and will not shy away from making changes considered necessary to create stronger shareholder value," he said.

Ends

This announcement has been authorised by 2CC Chair, Michael Stiassny.

For shareholder enquiries, please contact:
Angus Guerin
CFO
Mobile: +64 21 998 708
Email: angus.guerin@2ccgroup.co.nz

About 2 Cheap Cars Group
2 Cheap Cars Group is an integrated used automotive group. We are vertically integrated from procurement in Japan through to our retail branches nationwide. Operating under the “2 Cheap Cars” brand, our Automotive Retail company is one of the largest used vehicle sellers in New Zealand with 12 dealerships across the country. Our mission is to deliver on our promise… 2 Cheap Cars, driving better deals, every day.