

**15 November 2023**

Market announcement  
**NZX:2CC**

**Record half year profit, guidance upgrade and interim dividend declared**

2 Cheap Cars Group Limited (NZX:2CC) has today reported a record \$3.2m net profit after tax (NPAT) for the half year to 30 September 2023 (HY24), an increase of \$2.6m over HY23.

**Summary of key results**

(Figures quoted are in NZ dollars. Comparisons are made against HY23)

- **Revenue and income:** \$41.9 m, increased 4%
- **Gross margin YTD:** \$10.1m, up 41%
- **Underlying EBITDA including finance income:** \$5.7m, up \$3.0m
- **Net profit after tax (NPAT):** \$3.2m, up \$2.6m
- **Underlying net profit after tax (NPAT):** \$3.2m, up \$2.2m
- **Underlying earnings per share (EPS):** 6.9 cents per share (cps) vs 2.3cps
- **Vehicle sales:** down 12% to 3,776

Strong inventory levels and further insourcing of compliance activity have continued to deliver savings and led to faster yard stock replenishment, resulting in strong trading across the half and driving profitable growth.

Revenue of \$41.9m is 4% ahead of the HY23 result, reflecting higher prices and stronger finance and insurance (F&I) penetration rates. This has more than offset lower sales volumes and the impact of lower revenue from the Company loan book which continues to wind down.

As a result of the Company's focus on prioritising margin over market share, year-to-date gross margin of \$10.1m was up from \$7.2m in the same period in the prior year. YTD gross margin was 24%, up 6%, reflecting astute vehicle selection in Japan and sharp focus across the full value chain.

Year-to-date operating costs were down slightly at \$4.4m, with underlying EBITDA (including finance income) of \$5.7m, up \$3m from \$2.7m.

Total net operating cash flow improved to \$6.2m, up from \$4.6m.

The Company has cash of \$6.1m, no net debt and total equity of \$19.0m.

CEO Paul Millward says the half year result underscores the success of the Company's transformation strategy.

"By any measure, this is a terrific result and proof of a dramatic turnaround in less than 12 months. The Company is now in really great shape. We have a solid vehicle supply, costs continue to be well contained and our decision to prioritise margin is, literally, paying dividends. Our gross margin expansion plan is delivering ahead of schedule. This is a very proud achievement for the entire 2 Cheap Cars team" he said.

## Dividend

In accordance with its policy<sup>1</sup>, the Board of Directors is very pleased to declare a HY24 net interim dividend at 60% of underlying NPAT, which is 5.78 cents per share gross. The record date is 22 November 2023 and the dividend will be paid on 6 December 2023. This represents a gross annualised dividend yield of approximately 16.2% based on the share price of \$0.71, (as at 14 November 2023).

## Outlook

Following the strong finish to the half year, and a pleasing October result with continued strong margins, the Company is increasing FY24 net profit after tax (NPAT) guidance to be above **\$6.8m**, up from between \$5.2m and \$5.7m as previously communicated in September.

Chairman Michael Stiassny says the Company is very well placed to maintain its strong performance in the second half.

“Announcing a record first half profit, delivering a very strong dividend to our patient shareholders, and once again upgrading our guidance gives us reason to be optimistic about the critical back half of the year. Successfully returned to its profitable ‘no frills’ roots, 2 Cheap Cars’ performance is exceptional and the Company is well positioned to not just withstand – but benefit from – the economic headwinds New Zealand is experiencing,” he said.

*The numbers included in this announcement are unaudited.*

Ends

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

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### **About 2 Cheap Cars Group\* (2CC)**

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.

\*2 Cheap Cars Group was previously known as NZ Automotive Investments (NZAI).

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<sup>1</sup> The 2 Cheap Cars Group Limited dividend policy is to target a payout ratio of between 50% and 60% of underlying NPAT.