

**15 November 2024**  
**Market announcement**  
**NZX:2CC**

### **Interim dividend declared despite market volatility impact on half year profit**

2 Cheap Cars Group Limited (NZX:2CC) has reported net profit after tax (NPAT) of \$1.67m for the half year ended 30 September 2024 (HY25), down from \$3.2m in HY24.

#### **Summary of key results**

(Figures quoted are in NZ dollars; comparisons are made against HY24)

- **Revenue and income:** steady at \$41.98m
- **Gross margin YTD:** \$9.06m, down from \$10.3m
- **Underlying EBITDA (including finance income):** \$3.8m, down from \$5.7m
- **Net profit after tax (NPAT):** \$1.67m, down from \$3.2m
- **Underlying net profit after tax (NPAT):** \$1.67m
- **Underlying earnings per share (EPS):** 3.7 cents per share (cps) vs 6.9 cps
- **Vehicle sales:** 4,119 units, up 9%

These results, though in line with guidance, highlight the prolonged economic downturn in New Zealand and the consequent challenges faced by the automotive retail market.

Revenue and income remained steady, although a general decline in consumer spending and intensified competition within the used vehicle sector put pressure on margins and impacted profitability. Shifting customer demographics and preferences have also affected finance and insurance penetration rates.

And while sales volumes have increased compared to the same period last year, it's important to note that the previous period was affected by shipping bottlenecks that were resolved in the first quarter of FY24.

The Group's cost management and operational efficiency improvements, including insourcing initiatives, have helped ease some margin pressure.

The Group ended the half year with \$2.54 million in cash and stable debt. Inventory was well-managed to match supply with shifting market demand, reducing excess costs. However, continued profitability pressures and fluctuations in vehicle sales underscore the challenging market conditions.

#### **Market overview**

A substantial part of 2 Cheap Cars' business has historically been linked to immigration, driving the company's strong FY24 performance. However, current low immigration levels and the severe economic downturn are negatively impacting both our business and the broader automotive market.

To address these ongoing challenges, the company is focused on actions that ensure it remains competitive. This strategy will likely involve maintaining lower margins for an extended period to achieve greater market penetration and boost profitability.

CEO David Sena said, "Since founding this business in 2011, I have never witnessed market conditions as volatile as those we currently face. The rapid shifts and unpredictability are truly unprecedented in our company's history. While we have successfully maintained financial stability, our focus on operational discipline and cost management is stronger than ever."

#### **Dividend**

The Board has declared a HY25 interim dividend of 3.06 cents per share gross, representing 60% of the underlying NPAT for the period. The record date for the dividend is 22 November 2024, with

payment scheduled for 6 December 2024. This decision reflects the Group's commitment to delivering shareholder value while maintaining prudent financial management.

**Outlook**

The sustained economic downturn, subdued trading results in October and persistent market volatility has heightened uncertainty around second half performance. The company is adopting a conservative outlook, with the objective of maintaining the profitability levels achieved in the first half, while continually striving for further growth.

Chairman Michael Stiasny said that while the business was performing well in the circumstances, a cautious approach was warranted given ongoing market unpredictability.

"The business is tightly managed and efforts to optimise operations and strengthen our balance sheet provide a resilient foundation. However, we remain realistic about the hurdles ahead as economic conditions continue to impact consumer sentiment and behaviour," he said.

The figures included in this announcement are unaudited.

**Ends**

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

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**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 13 dealerships across the country. Our mission is to deliver on our promise... 2 Cheap Cars, driving better deals, every day.