



**NZ Automotive
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Market Announcement
NZX:NZA

NZAI delivers net profit above guidance

Performance highlights FY21 (All figures in NZD as at 31 March 2021. Comparisons are made against FY20)

- Underlying net profit after tax¹ of \$3.8 million, slightly above guidance range of \$3.3 - \$3.7 million
- Actual net profit after tax decreased \$1.0 million to \$3.2 million and includes costs to list company of \$0.7 million
- Underlying EBITDA¹ including finance income of \$7.8 million, decreased \$0.9 million
- Revenue and income² decreased 13.4% to \$66.1 million
- Full year dividend declared of 5.0 cps, representing a gross dividend yield of 6.5% (based on share price of \$1.07³), to be paid 17 June-21
- Underlying earnings per share¹ of 8.4 cps (Actual EPS 7.0 cps)
- Automotive business has held up well and proven to be resilient in the face of Covid-19

AUCKLAND, 28 May 2021 – NZ Automotive Investments Limited (NZAI) (NZX:NZA) today reports full year earnings to 31 March 2021 (FY21), achieving NPAT slightly above guidance and delivering a strong dividend yield, demonstrating the ongoing profitability and resilience of the business.

FY21 revenue and income² of \$66.1m decreased by \$10.3 million on FY20, with an estimated \$7.4 million due to the effects of Covid-19 (NZAI could not fully trade for 68 days or 19% of the year) and a further estimated \$6.9 million due to the impact from closing five less profitable dealerships. These revenue reductions were offset by growth of \$3.3 million in the underlying 2 Cheap Cars retail business as well as \$0.7 million growth in finance income from the automotive finance business (NZ Motor Finance).

In the second half of FY21, sales volumes from existing dealerships recovered to FY20 levels. Group second half FY21 revenues of \$35.5m versus \$37.2m in the second half of FY20 were based on a reduced dealership footprint and the effects of the February/March lockdown in Auckland.

Underlying EBITDA¹ including finance income decreased from \$8.7 million in FY20 to \$7.8 million in FY21. The effects of Covid-19, as well as additional corporate costs associated with becoming a listed company, contributed to the \$0.9 million reduction.

Actual NPAT decreased \$1.0 million from \$4.2 million in FY20 to \$3.2m in FY21 including \$0.6 million of costs (post tax) to list the company. Underlying FY21 NPAT¹ of \$3.8m is slightly above guidance.

The Board of Directors are pleased to declare a dividend of 5.0 cps for FY21, to be paid on 17 June 2021. The dividend represents 60% of underlying net profit after tax¹ in accordance with the Group's dividend



policy. This represents a gross dividend yield of approximately 6.5% based on the share price of \$1.07, being the closing price on 27 May 2021. The record date will be 9 June 2021.

During FY21, NZAI appointed an experienced Board, including independent directors, and vehicle finance expert David Page as CEO, to provide strong governance, to lead the company's expansion and drive its growth strategy.

In February 2021, NZAI successfully listed on the New Zealand Stock Exchange (NZX), going public via a direct listing on the NZX main board. No new securities were issued in conjunction with the listing. During the reporting period, NZAI also raised net capital of \$3.3 million to fund the continued growth of its loan book under its subsidiary NZ Motor Finance and secured a bank facility of \$5.0 million to help further fund the loan book beyond FY21.

CEO David Page said: "With a proven track record, strong governance and management in place, NZAI is now focused on implementing its strategic roadmap for growth."

"The direct listing will support NZAI's long-term growth and provide NZAI access to capital in the future for expansion, in particular to grow the vehicle finance business."

NZAI's FY21 and Covid-19 impact

Like other retail businesses, NZAI's operations and the broader automotive industry were significantly impacted by the lockdowns relating to Covid-19 during FY21. Throughout the year, the company has had to be agile in responding to the disruptions and uncertainty. Nevertheless, the results for FY21 were affected by the lockdowns, where the company could not fully trade for at least 68 days, or 19% of the year. In the first half of FY21, sales volumes from existing sites have largely recovered to FY20 levels.

Automotive Retail (2 Cheap Cars)

CEO David Page said: "The 2 Cheap Cars underlying business has held up well and proven to be resilient in the face of Covid-19."

2 Cheap Cars sold 8,207 cars in FY21, 2,812 less than in FY20 where it sold 11,019. Four dealerships were closed in FY20 due to being less profitable than expected, with one further dealership (in Dunedin) closing in FY21. Covid-19, coupled with the closure of the five dealerships, had a knock-on effect for revenue in FY21.

2 Cheap Cars is vertically integrated from procurement to the point of sale, with staff from its Japanese subsidiary, Car Plus, directly attending Japanese car auctions. Having a presence in Japan allows NZAI to keep the cost of its vehicles low, manage quality and buy at scale. It also meant 2 Cheap Cars was able to maintain a strong supply chain through Covid-19; supply constraints continue to be addressed by the business.

NZAI has seen sales of electric and hybrid electric vehicles (EV/HEV) almost double in the last 12 months; 21% of sales were EV/HEV in the last quarter of FY21, up from 8% at the same time in the prior year. From September to January, 2 Cheap Cars averaged over 100 EV/HEV sales per month. The company is well placed to service the growing demand for this type of vehicle.

In line with its strategy, NZAI has been focused on improving its digital offering, including streamlining internal processes. During the period, 2 Cheap Cars redeveloped its website to integrate with the sales process across the country's car yards, and to make it easier for customers to purchase cars online.



Automotive Finance (NZ Motor Finance)

NZAI's automotive finance subsidiary commenced trading in July 2019, and is intended to be a growth area for future financial performance. NZ Motor Finance grew its loan book by 138% in FY21, an increase from \$1.6 million to \$3.8 million as at 31 March 2021. The number of loans totaled 461.

Approximately a third of 2 Cheap Cars customers require vehicle finance at point of sale based on FY21 statistics. By offering its own car finance to customers buying their vehicles from 2 Cheap Cars, NZ Motor Finance can originate its loans with minimal acquisition and administrative costs.

Selective lending to NZ Motor Finance's core audience has continued, and the business has seen 0.11% of loans written off in FY21.

Outlook

NZAI's long-term strategy is to leverage its retail business to build a diversified automotive services group. NZAI's automotive finance business will continue to be a focus area for growth.

CEO David Page said: "NZAI remains focused on the digital transformation of the business and its processes, as well as growing and investing in our team, securing relevant partnerships and maximising operational efficiency.

"Growing the automotive finance business loan book will continue to be a key focus. We also have a long-term strategy when it comes to electric and hybrid vehicles – this will be an area of focus to grow market share, and we will be looking to leverage opportunities with electric and hybrid vehicles over time."

Demand remains strong for used vehicles across 2 Cheap Cars dealerships in April and May 2021.

¹ excludes transaction costs to list the Company on NZX (Underlying NPAT and underlying EBITDA are non-IFRS measures)

² includes government wage subsidy received of \$0.6m

³ NZAI share price as of end of day, 27 May 2021

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About NZAI

NZAI is an integrated used automotive group operating throughout New Zealand via two subsidiaries: Automotive Retail and Vehicle Finance. NZAI's mission is to deliver quality cars and financing solutions at the most affordable prices to the average New Zealander. Operating under the "2 Cheap Cars" brand, its Automotive Retail company is one of the largest used vehicle sellers in New Zealand with 12 dealerships across the country. Its Vehicle Finance company operates under the "NZ Motor Finance" brand. It was established in 2019 to diversify earnings and provide a further growth opportunity for NZAI. It originates loans entirely from cross-selling to Automotive Retail customers, which allows NZ Motor Finance to grow its finance book with minimal acquisition and administrative costs.

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