



**NZ Automotive  
Investments Limited**

17 Levene Pl,  
Mt Wellington,  
Auckland, 1060

+64 (9) 666 0158

[info@nzautomotiveinvestments.co.nz](mailto:info@nzautomotiveinvestments.co.nz)

[nzautomotiveinvestments.co.nz](http://nzautomotiveinvestments.co.nz)

**29 November 2021**

Market Announcement

**NZX:NZA**

### **NZAI declares interim dividend despite Covid-19 impacts**

**Performance highlights HY22** (All figures in NZD as of 30 September 2021. Comparisons are made against HY21 which was also affected by COVID-19 restrictions).

- **Revenue and income**<sup>1</sup> increased 1.9% to \$31.2 million for the full six-month period.
- The business was performing well prior to the Covid-19 lockdown beginning in mid-August, with revenue up 27% on the same period last year.
- **Net profit after tax:** \$1.4 million, within guidance range of \$1.4 - \$1.6 million, but a decrease of \$0.5 million largely due to the effects of Covid-19 related restrictions.
- **EBITDA**<sup>2</sup> **including finance income:** \$3.2 million, decreased \$0.8 million.
- **Interim gross dividend** of 2.2 cps declared, representing a gross annualised dividend yield of 5.2% (based on a share price of \$0.86<sup>3</sup>), to be paid 23 December 2021.
- **Earnings per share:** 3.1 cps against 4.1<sup>5</sup> cps for the same period last year.
- 39% of all 2 Cheap Cars' sales nationwide were through online sales channels during Covid-19 level 3 and 4 lockdowns.
- The automotive business is responding well since Covid-19 related restrictions have eased.

NZ Automotive Investments Limited (NZAI) (NZX:NZA) today reports half year earnings to 30 September 2021 (HY22), achieving NPAT within guidance and declaring an interim dividend.

NZAI was performing well in the first four and a half months in the lead up to the raising of Covid-19 alert levels across the country in mid-August. 2 Cheap Cars' vehicle sales were averaging 800 cars per month over the period, an increase of 27% on the same Covid-19 affected period last year.

Like other retail businesses, NZAI's operations and the broader automotive industry were impacted by the lockdowns relating to Covid-19 during the latter part of HY22. NZAI's subsidiaries, 2 Cheap Cars and NZ Motor Finance could not fully trade for at least 45 days, or 24% of the period. The Company was therefore impacted by reduced car sales and by vehicle processing restrictions due to the closure of the vehicle processing hub in Mount Wellington under alert level 4. Throughout the period, the Company has had to be agile in responding to the disruptions and uncertainty.

HY22 revenue and income<sup>1</sup> of \$31.2m increased by 1.9% on HY21, despite an estimated \$7.5 million of lost opportunity in revenue<sup>4</sup> due to the effects of the Covid-19 related restrictions.



EBITDA<sup>2</sup> including finance income decreased from \$4.0 million in HY21 to \$3.2 million in HY22. The effects of trading and operating restrictions brought about by the raised Covid-19 alert levels, as well as additional corporate costs associated with becoming a listed company, contributed to the \$0.8 million reduction.

Net profit after tax (NPAT) decreased \$0.5 million from \$1.9 million in HY21 to \$1.4m in HY22 and is within the guidance provided in September, although at the lower end due to the extended nature of the Covid-19 restrictions through the whole of September, particularly in Auckland.

The Board of Directors is pleased to declare a net interim dividend of 1.6 cents per share for HY22, to be paid on 23 December 2021 (2.2 cps gross). The dividend represents 52% of NPAT in accordance with the Group's dividend policy. This represents a gross annualised dividend yield of approximately 5.2% based on the share price of \$0.86, being the closing price on 26 November 2021. The record date will be 16 December 2021.

CEO David Page says "This lockdown has been challenging, however we have taken the opportunity to invest time enhancing key processes in the business and are confident this will lead to efficiencies and improvement in the future, as the used automotive industry bounces back from Covid-19 impacts."

#### **AUTOMOTIVE RETAIL (2 CHEAP CARS)**

Despite the last part of the half year being affected by Covid-19 related restrictions, revenue was up 3.4% on the same Covid-19 affected period last year. Profit per car was up 11.6% on the same period last year, with improved margins from increased sales of higher value cars and higher finance penetration.

2 Cheap Cars sold 3,864 cars in HY22, slightly down on HY21 when it sold 3,911. Through the Covid-19 Mid-August to September lockdown 39% of all cars sold were via a digital click and collect solution. For the half year, 9% of all sales were undertaken through the digital solution. Last year the company did not have this capability.

Supply of used vehicles from Japan remains consistent, however buyers have started to experience increased competition at auctions due to the knock-on effect that the semiconductor shortage is having on new car production. However, Toyota and Honda recently made some positive announcements that they are commencing production again, indicating the semiconductor shortage may be improving.

2 Cheap Cars has seen sales of electric and hybrid electric vehicles (EV/HEV) more than double to 21% of all sales in HY22, up from 8% over the same period last year. The company is well placed to service the growing demand for this type of vehicle. The business continues to position itself to provide the solutions that customers are seeking in response to the Government's new clean car standard, meaning 63% of all cars sold over the half year not would not attract a penalty under the regime when introduced in April 2022.

#### **Reader's Digest Quality Award - 2 years Running Readers digest quality award**

2 Cheap Cars is again a winner of the Reader's Digest Silver Quality Service Award in the used vehicle dealership category. This award is voted by New Zealanders and this is the second year in a row the company has won the award, demonstrating continued commitment of great service to our customers.

#### **AUTOMOTIVE FINANCE (NZ MOTOR FINANCE)**

NZ Motor Finance (NZMF) grew its loan book by 139% in HY22 (on an annualised basis), an increase from \$2.1 million to \$4.9 million as at 30 September 2021. The number of loans in the book increased to



625.

NZMF continues to sell finance vertically through 2 Cheap Cars. The business has diversified and recently signed two partnership agreements with third parties to grow lending and accelerate the build of the loan book.

Selective lending to NZMF's core audience has continued, and the business continues to maintain a low arrears rate of 2% and has a write off rate below 0.2%.

NZMF is in advanced stages of discussions to secure an additional \$5m in debt funding to further grow the loan book.

### **Outlook**

Demand has remained strong for used vehicles outside of Auckland during the Covid-19 related restrictions and Auckland has shown signs of recovery in recent weeks.

NZAI has a solid platform to continue to execute its strategy. Demand remains strong for used vehicles across 2 Cheap Cars dealerships in November 2021 and the business expects to have an improved second half of the year under the new Government 'traffic light system' (Covid-19 Protection Framework) – which should mean that retail remains open for business.

CEO David Page says "NZAI remains focused on executing its long-term strategy to leverage its retail business to build a diversified automotive services group. Forecast demand for finance continues to be strong and we expect this to continue to grow in the coming year.

"The management team are setting the business up for growth and are executing on the move to the new vehicle processing hub in January next year, which is expected to increase processing capacity and provide a safer and more engaging space for our people. Once set up, the business plans to expand its retail footprint and has already secured one new site at Westgate in Auckland, with other sites being actively pursued.

"The team will continue to digitalise and transform the business and its processes, as well as growing and investing in our team, securing relevant partnerships and maximising operational efficiency.

"Electric and hybrid vehicles made up 21% of all 2 Cheap Cars' sales for the past three quarters and the company will continue to focus on the opportunity that this presents to grow market share."

<sup>1</sup> Includes finance income and the government wage subsidy and resurgence support received of \$0.3m

<sup>2</sup> EBITDA is a non-IFRS measure

<sup>3</sup> NZAI share price as at close of trading, 26 November 2021

<sup>4</sup> Based on 6 week run-rate prior to 17 August 2021

<sup>5</sup> Normalised earnings per share based on comparable issued capital of 45,554,500

### **Shareholder enquiries:**

**David Page**

CEO

+64 21 980 795

David.p@nzautomotiveinvestments.co.nz

**Haydn Marks**

CFO

+64 21 2211 040

Haydn.m@nzautomotiveinvestments.co.nz



**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.

[www.nzautomotiveinvestments.co.nz](http://www.nzautomotiveinvestments.co.nz)

