



**New Zealand Automotive
Investments Limited**

102 Mays Road,
Onehunga,
Auckland, 1061

info@nzautomotiveinvestments.co.nz

nzautomotiveinvestments.co.nz

28 November 2022

Market announcement
NZX:NZA

Revenue up in NZAI half year results

Integrated automotive group, NZ Automotive Investments Limited (NZAI) (NZX:NZA) has today reported revenue and income of \$40.2m, an increase of 29 percent, for the half year to 30 September 2022 (HY23).

Summary of key results

(Figures quoted are in NZ dollars. Comparisons are made against HY22.)

- **Revenue and income:** \$40.2m, increased 29%¹.
- **Vehicle sales:** Up 11% to 4,281.
- **Underlying EBITDA² including finance income:** \$2.9m, down \$0.3m.
- **Net profit after tax (NPAT):** \$0.6m, down \$0.8m (including \$0.7m of restructuring costs)
- **Underlying NPAT:** \$1.0m, a decrease of \$0.4m.
- **Underlying earnings per share (EPS):** 2.3 cents per share (cps) against 3.1cps for HY22.

Against a backdrop of the tightening economic environment, inflationary pressure, and rising interest rates, the overall New Zealand used car market has dropped 7.5% in the six months to 30 September 2022³. NZAI vehicle sales are up 11% when compared with HY22, which was impacted by Covid-19

The Group's half year revenue and income increase of 29% to \$40.2m was driven by a boost in sales volumes against the same period last year, combined with inflationary uplift in the prices of vehicles sold.

While vehicle margins have remained stable, the business itself has seen some margin erosion due to lower finance penetration rates since the introduction of CCCFA lending regulations. Overall the contribution margin is up 7.5% to \$7.4m.

Operating costs (excluding non-recurring costs) have risen 9.3% to \$4.5m, in large part due to investment in marketing which had been curtailed during the peak years of the pandemic.

Underlying EBITDA including finance income decreased from \$3.2m in HY22 to \$2.9m in HY23. Higher vehicle sales volumes, offset by the reduced performance of the finance and insurance side of the business and investment in marketing have been primarily responsible for the drop in underlying EBITDA including finance income.

¹ Includes interest income derived from the finance company.

² Excludes restructuring costs associated with Board changes and other non-recurring consulting costs. Underlying EBITDA and underlying NPAT are non IFRS measures.

³ Source – NZ Customs and NZTA data.



The impact of the Covid-19 Omicron outbreak in the first quarter and non-recurring costs of \$0.7m associated with significant changes at board and management level has seen unaudited NPAT fall to \$0.6m from \$1.4m in the previous corresponding period.

Underlying NPAT reduced from \$1.4m in HY22 to \$1.0m in HY23.

Total net operating cash flow has improved to \$4.6m, up from \$1.2m for the same period last year. This is largely due to reduced inventory levels (and associated prepaid inventory) as well as a decrease in the loan book.

As at 30 September 2022, the Company is in compliance with all banking covenants and has cash of \$6.2m, net debt of \$4.4m and total equity of \$15.4m.

Automotive Retail – 2 Cheap Cars

The Automotive Retail business has sold 4,281 vehicles in HY23 which is an 11% increase on the same period last year. This increase, together with inflationary factors, has seen unaudited revenue from vehicle sales increase by 30% to \$39.7 million.

The government's new Clean Car Discount scheme introduced in April has influenced vehicle sales across the industry. 2 Cheap Cars continues to be well positioned to meet the increasing demand for electric and hybrid vehicles (EV/HEVs). In HY23, the number of EV/HEVs sold as a proportion of total vehicle sales increased to 40%, up from 21% in the same period last year.

In another significant movement, online vehicle sales accounted for 23% of total sales, more than doubling from 9% in HY22.

2 Cheap Cars has an estimated market share for the 6 months of 6.5%⁴, up from 6.4% in the same period last year, but slightly down from the first quarter as the sales and marketing team was re-established and enlarged following management changes.

The number of vehicles sold with finance was down 10% to 1,128. This reflects a penetration rate of 26%, compared to 32% in HY22. Factors impacting this result included the ongoing challenges resulting from CCCFA changes making it more difficult for some customers to access consumer finance, rising interest rates in an inflationary environment, and consequent general tightening of household budgets.

2 Cheap Cars has grown its dealership network by renewing the lease on an expanded Wairau Valley site on Auckland's North Shore, enabling 25% more vehicles to be accommodated.

Finance Company - NZ Motor Finance

The Board had been considering the NZ Motor Finance's strategy, and whether that remained the most appropriate use of capital. As a result, lending was paused in June, with the loan book reducing from \$6.8m at 31 March 2022 to \$5.6m at 30 September 2022. The Board is continuing to review options.

Dividend

No interim dividend is to be declared and underlying EPS is 2.3 cents per share.

Focus for FY23

The Board remains focused on stabilising and reinvigorating the retail business through:

⁴ Source: NZTA - based on 2 Cheap Cars' vehicle sales as a proportion of used cars registered in New Zealand for the first-time between 1 April 2022 and 30 September 2022.



- The targeted expansion of the dealership distribution network
- Investing in brand marketing and digital engagement campaigns
- Improving third party finance and insurance penetration rates
- Improving core supply chain capabilities (vehicle purchasing and in-sourcing of services)

And, while the Board has retained the existing strategy for now, it is in the process of reviewing this and will advise the market in due course.

In January 2023, the Government will introduce a new Clean Car Import Standard scheme to encourage vehicle importers to target lower emission vehicles. Initial modelling under this credit-based scheme, indicate that 2 Cheap Cars will be in a credit position for FY23 and FY24. Further opportunities to leverage this scheme are also anticipated, including through the trade of credits.

Interim CEO, Gordon Shaw said that while it had been a challenging period, more recently steady progress had been made in stabilising the retail business.

“We have appointed a new General Manager Sales, a Marketing Manager and digital marketing team to further drive sales. We expect to make an announcement regarding the appointment of a new CEO prior to Christmas, and are also in the process of appointing a new auditor. Discussions continue with alternate lenders regarding replacement of our finance facilities,” Shaw said.

The numbers included in this announcement are unaudited.

Ends

This announcement has been authorised by NZAI Chair, Michael Stiasny.

For shareholder enquiries, please contact

Haydn Marks

CFO

Mobile: +64 21 221 1040

Email: haydn.m@nzautomotiveinvestments.co.nz

About NZ Automotive Investments Limited (NZAI)

NZAI is an integrated 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. www.nzautomotiveinvestments.co.nz

