13 November 2025
Market announcement
NZX:2CC

Interim dividend declared despite challenging market conditions

2 Cheap Cars Group Limited (NZX:2CC) has reported net profit after tax (NPAT) of $1.01m for the half year ended 30 September 2025 (HY26), down from $1.67m in HY25.

Summary of key results
(Figures quoted are in NZ dollars; comparisons are made against HY25)

- **Revenue and income**: $39.77 million down from $42.01 million
- **Gross margin YTD**: $7.86 million, down from $9.06 million
- **Underlying EBITDA (including finance income)**: $3.1 million, down from $3.8 million
- **Net profit after tax (NPAT)**: $1.01 million, down from $1.67 million
- **Underlying earnings per share (EPS)**: 2.2 cents per share vs 3.7 cps
- **Vehicle sales**: 3,604 units, down 13%

Performance overview

The first half of FY26 was challenging, with continued economic weakness, margin pressure, low immigration numbers and high regulatory costs directly impacting the used-vehicle industry, and the cost-of-living crisis weighing heavily on consumer confidence.

These conditions saw revenue decline 5% to $39.8 million in the first half of FY26, reflecting lower sales volumes. This was partially offset by improved retail pricing and stronger finance and insurance penetration. Finance penetration rose to 32%, up five percentage points, while insurance penetration reached 41%, supported by lower interest rates and effective sales execution.

Gross margin decreased by two percentage points to 19%, primarily due to the impact of carbon tax costs under the Clean Car Standard. The $0.7 million decrease in NPAT primarily reflected the $0.7 million after-tax impact of the Clean Car Standard, as other favourable and unfavourable movements largely offset each other.

However, the Group continues to maintain a strong balance sheet, with $4.6 million in cash, stable debt levels, and inventory carefully managed to align with current demand.

Market overview

Weak economic growth, subdued consumer confidence, and a significant reduction in net migration collectively reduced imported used vehicle sales volumes in HY26.

The Clean Car Standard, has exacerbated this situation through increased complexity and costs for used vehicle importers due to shifting compliance thresholds and rising carbon credit costs.

While overall trading conditions remain subdued, several external factors have provided partial offsets. Lower interest rates are improving vehicle affordability through reduced finance costs, while a strong New Zealand dollar against the Japanese yen has supported more favourable import pricing. There is, however, significant international competition for late-model, fuel-efficient Japanese vehicles that is continuing to drive up procurement costs and tighten supply.

The Company is also beginning to benefit from increased local sourcing opportunities through direct purchases from the public, alongside trade-ins, which, while still a small fraction of total purchases, help to reduce exposure to carbon credit obligations and support a more balanced inventory mix.

Strategic update

In response to the continued difficult market conditions, the Company has made several operational adjustments to enhance flexibility and strengthen long-term capability. A senior Brand and Marketing Manager is being recruited to accelerate investment in direct-to-consumer channels and reinforce brand positioning.

And to reinforce the Company's ability to source consistent supplies of high-quality, late-model vehicles, 2 Cheap Cars CEO David Sena is increasing his direct involvement and time on the ground in Japan to strengthen the capability of the local procurement team

As vehicle volumes remain volatile, the Company has reassessed its compliance insourcing strategy and reverted to a hybrid compliance model, combining in-house expertise with selected outsourced suppliers to avoid unnecessary overheads and improve capacity management and responsiveness.

Dividend

The Board has declared a HY26 interim dividend of 2.15 cents per share (gross), representing 70% of the underlying NPAT for the period. The record date for the dividend is 21 November 2025, with payment scheduled for 5 December 2025. This decision reflects the Group's commitment to delivering shareholder value while maintaining prudent financial management.

Outlook

Market conditions are expected to remain challenging through the second half of FY26.

While 2 Cheap Cars will likely benefit from easing interest rates and the contribution from new flagship dealerships, these positives are being outweighed by the broader economic and regulatory environment. The pace of recovery in demand is expected to remain gradual, and trading in the second half of FY26 is not anticipated to materially exceed the first half. The Group continues to expect full-year profitability to be lower than FY25, reflecting the ongoing cost and volume pressures across the sector.

Chairman Michael Stiassny noted that while the business is performing solidly, the impact of Clean Car Standard compliance costs was not to be underestimated.

"As recently highlighted by the Imported Motor Vehicle Industry Association, the Clean Car Standard is creating an unintended consequence whereby increasing compliance costs are making used imported vehicles unaffordable for many households who are then forced to retain older, higher-emitting vehicles.

"We continue to control what is within our power to control. The business remains tightly managed, with a disciplined focus on efficiency, cash generation, and balance sheet strength."

The figures 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
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.