Turners
FY20 Investor Roadshow

July & August 2019

Agenda and introductions

- **Market Update**
- **Highlights and Divisional Review**
- **Strategy**
- **Focus Areas and Outlook**

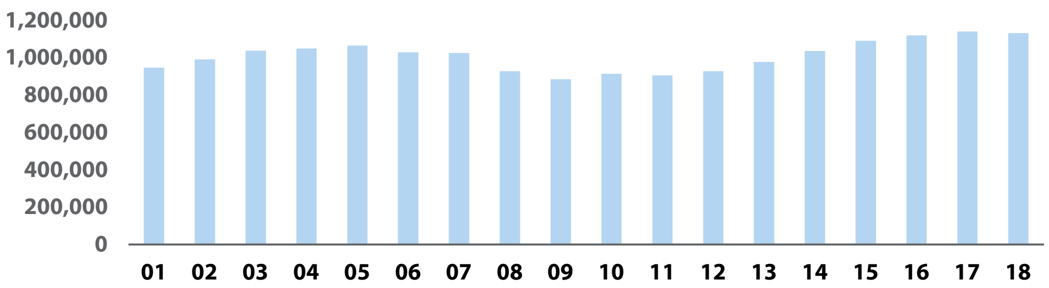
Todd Hunter CEO

Aaron Saunders CFO

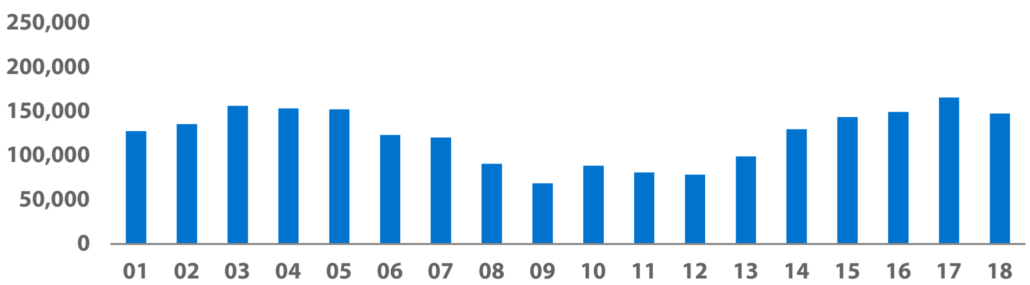
Market Update

NZ used car market still at strong historic levels

Annual changes in used vehicle ownerships



Annual registrations of used, ex-overseas vehicles



Source: NZTA – Used Car Change of Ownership Stats

- **After a period of growth used car change of ownership numbers have plateaued.**
- **Underlying demand still strong with more cars exiting fleet due to cost of repairs increasing and a stricter WoF regime from NZTA.**
- **Mar 2020, all vehicles imported into the country required to have ESC, impact in sub $8k budget segment.**
- **Margins have recovered from low point Oct/Nov 2018.**
- **Industry is going through a period of consolidation Registered dealers down 5% cf. 2018**
- **Less than 10% of Turners volume comes from used imports**

The Kiwi car economy

3.85m

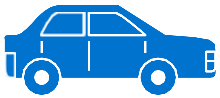
Light vehicles in the New Zealand vehicle fleet

953,000

The number of cars in the light vehicle fleet that are 20 years or older

1.13 m

used cars were traded to the year ended 31 March 2019 down 1% on year ended Mar 18



13,000 EVs

The number of EVs registered in New Zealand to end of March 2019

18.5 years

The average age light vehicles were scrapped from fleet was 19.5 years for an import and 17.5 years for New Zealand new in 2017

140,000 cars

Used cars imported from Japan for year ended Mar 2019 down 11% on Mar 18

204,000

Average odo reading for a scrapped car in the light fleet for 2017

Our industry dynamics are changing

The used-car industry is at the cusp of some significant changes, creating both opportunities and threats.

Customer expectations
Customer experience is vital

Digital disruption
Big data and technology proliferating the retail landscape

Increased regulation
Data privacy, finance services regulation & emissions standards

Move from offline to online
Less demand for physical visits to dealerships and a move to digital self-service channels

Aggregator & comparison sites
Transparency and a higher value offering

Industry consolidation
Key industry dynamics are creating headwinds

Alternative ownership models
Rise of subscription style services for car ownership and demand for flexible solutions

Highlights & Divisional Review

A quick look back in time…

As at March YE	2012	2013	2014	2015	2016	2017	2018	2019
Shareholder Funds ($m)	24	33	74	121	130	169	214	226
Total Assets ($m)	74	104	127	329	367	557	652	654
NPBT ($m)	-1.5	-0.1	4.9	19.0	21.6	24.6	31.0	29.0
EPS (cents)	(9.1)	9.0	20.4	32.8	24.7	25.5	29.3	26.2
Shares on issue	17.6m	20.8m	49.4m	63.1m	63.4m	74.5m	84.8m	86.9m
Share price	$0.70	$2.70	$2.40	$3.20	$3.04	$3.63	$3.01	$2.27

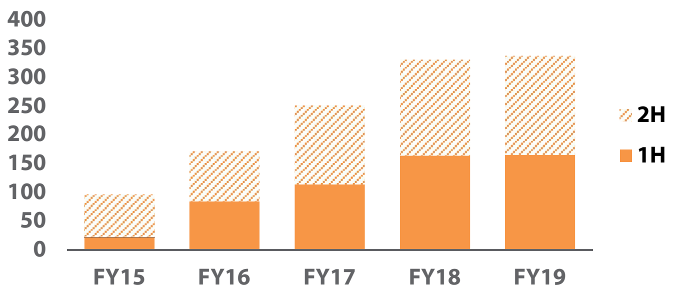
Numbers adjusted for 1-10 share swap in 2014

FY19 results snapshot

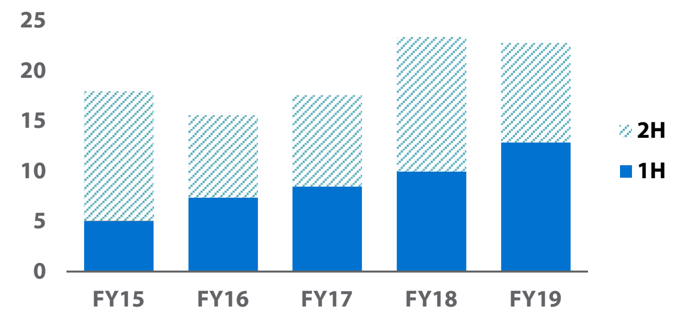
Revenue **$336.6m +2%**	**Shareholders' Equity** **$226.4m as at 31 Mar 19**
Net Profit Before Tax **$29.0m -7%** **($33.6m excl BRC brand write down)**	**Final Dividend 5.0 cps** **Total FY Dividend 17.0cps**
Net Profit After Tax **$22.7m -3%**	**Earnings Per Share** **26.3cps** **(FY18 29.3cps, -10%)**
NPATA **$24.3m -3%**	

NPATA – is net profit after tax and tax adjusted add back of amortised acquisition intangibles IE. Autosure portfolios inforce and customer relationships.

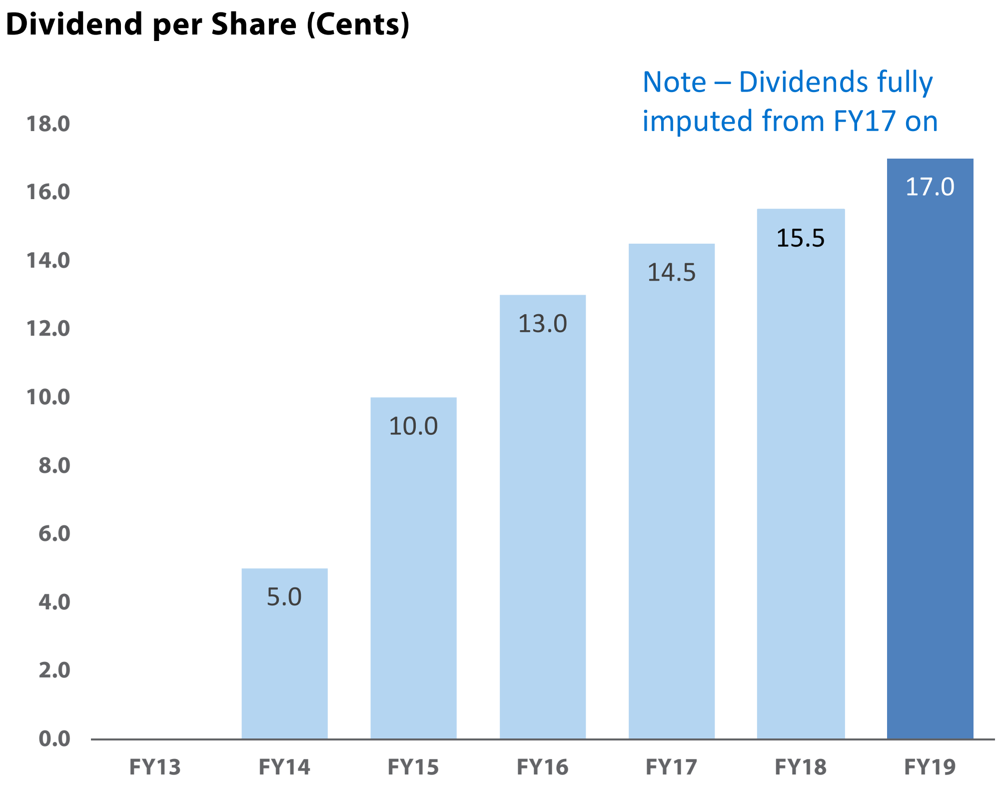
Revenue (millions)



Net profit after tax (millions)



Dividends



- **Dividend Policy Change: Increase in pay out ratio to 60% to 70% of NPAT**
- **Reminder we pay quarterly dividend**
- **FY19 full year dividend of 17.0 cents per share (FY18: 15.5 cps imputed)**
- **4.6m shares issued to convertible bond holders**
- **2.6m shares purchased during Share Buy Back programme reducing issued shares by 3%. Directors have resolved to recommence share buy back.**
- **Gross dividend yield of 10.8% at indicative current price of $2.18**

Balance sheet

$000s	FY19	FY18
Cash and cash equivalents	15,866	25,145
Financial assets at fair value	66,252	53,378
Finance Receivables	290,017	289,799
Inventory	38,859	38,596
Property, Plant and Equipment	39,084	35,945
Other Assets	37,100	37,887
Intangible Assets	166,734	170,982
TOTAL ASSETS	653,912	651,732
Borrowings	312,863	317,373
Other Payables	31,729	34,875
Deferred Tax	13,918	18,786
Insurance Contract Liabilities	51,785	48,376
Other Liabilities	17,243	17,999
TOTAL LIABILITIES	427,538	437,409

- **Reduction in cash balances due to investment of insurance reserves into longer dated term deposits**
- **Change in Finance Receivables reflects growth in Oxford offset by rundown in MTF non-recourse ledger**
- **Property, plant and equipment increase due to development of new sites in Whangarei and North Shore**
- **Insurance contract liabilities increase reflect growth in Autosure policy sales**

Automotive retail

Revenue 225.7m +1.1%, Segment Profit $18.3m +10.2%

Buy Right Cars - Revenue $63.4m, up 7%. Segment profit $(0.9m) loss, down 136%
Turners Group - Revenue $162.3m, down 1%. Segment profit $19.1m, up 35.7%

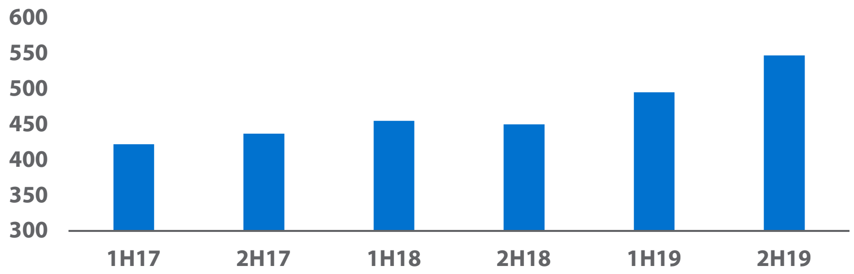
- Profit includes $3.4m of one off gains.
- Continuing increase in BuyNow (retail sales) – up 3% YoY
- NPS continuing to track up 61% at year end compared to 49% at half year.
- A number of cost out initiatives in place, including closing down the under-performing Lambie Drive Branch.
- Transition to Turners Cars brand has been completed swiftly and cost effectively ($250k).
- Margins on local purchased stock improved 13% on FY18 to $486 per unit. Margins on import stock dropped 64% to $393 per unit over FY18.
- Average margin per unit down 10% cf. FY18.
- Branch expansion and relocation plans progressing well

New Lynn rebranded with Turners Cars

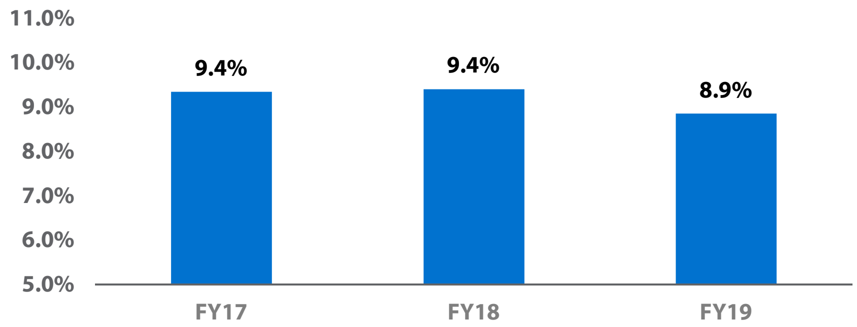
Finance

Revenue $44.2m +11%, Segment Profit $11.1m -5%

Improving Customer Credit Scores
Average customer VEDA credit score



Net Interest Margin



- **Directing Turners Cars lending into Oxford milestone achievement in FY19, new lending from Turners at $28M.**
- **MTF non-recourse book in run out, Mar 19 net receivables balance at $35m, down 43%.**
- **Impairment expense in OFL is up 25% to $7.4m**
- **Continued progress on repositioning towards higher quality borrowers through progressive tightening of credit policy and introduction of comprehensive credit scoring in Mar 19.**
- **Active dealers up 11% to 419 cf FY18.**
- **Continue to invest and innovate through Auotapp platform.**
- **Impairments on high risk category loans not improving… Total instalment arrears excl MTF non recourse impairments 2.0% (1.6% FY18).**

Insurance

Revenue $48.5m +3%, Segment Profit $8.2m +126%

Net Earned Premium FY18 to FY19 ($000)

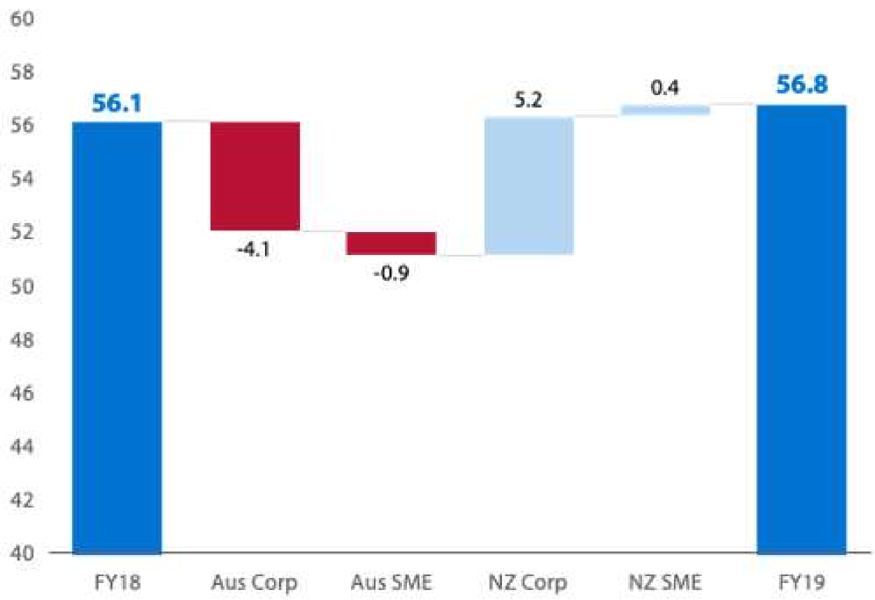
CCI Product has discontinued

- **Improvements in loss ratios across all insurance products. Combined loss ratio 62% (FY18: 68%), MBI loss ratio at 72% (FY18 at 78%).**
- **New retail selling system completed**
- **Continued review of dealers portfolio performance for risk pricing and review of incentives and rebates.**
- **Continued investment in training dealer staff to improve sales of PPI, GAP and MVI and support good conduct practises and adherence to compliance requirements.**
- **Result includes gain on sale in investment property of $3.0m**
- **Investment returns improved by 38% over FY18.**
- **AM Best has confirmed financial strength rating of B+ (good) but upgraded outlook from stable to positive.**

Credit management

Revenue $18.2m –3% Segment Profit $6.3m +4%

Debt Collected FY18 to FY19 ($m)



- **28% more outbound debtor actions taken in FY19 2.1m (FY18 1.64m)**
- **Total debt load up 15% to $237m, commission earned from debt collected up 2% to $9.0m.**
- **Product sales to SMEs up 7% to $8.5m.**
- **Integration into Xero developed and first debts being loaded via the interface.**
- **Recruitment and retention in contact centre has been challenging which has been addressed through improving remuneration. This has been offset through efficiencies created through use of Dialler technology.**
- **Debt Collection Scorecard "Focus" continues to be enhanced and refined.**
- **Debtor self service portal in development.**

Strategic Review

Turners.
Automotive Group

Summary of our plan…

Our strategy is to…

- **Simplify the business**
- **Accelerate growth in a capital efficient way**
- **De-risk by focusing on our core business and strengths**

This will enable us to…

- **Significantly increase market share in the core business of Auto retail and**
- **Participate in new and innovative auto adjacent opportunities**

For our key stakeholders this means…

- **Sharpen our focus on meeting customers needs**
- **Improving the efficiency of our business**
- **Reducing cyclical swings in our business, especially around credit**
- **Increasing the returns we deliver to our shareholders**

A capital efficient growth strategy for Turners Group, with an increased focus on Turners' core auto retail business

Primary drivers

Strength of Turners brand

Complexity of existing business

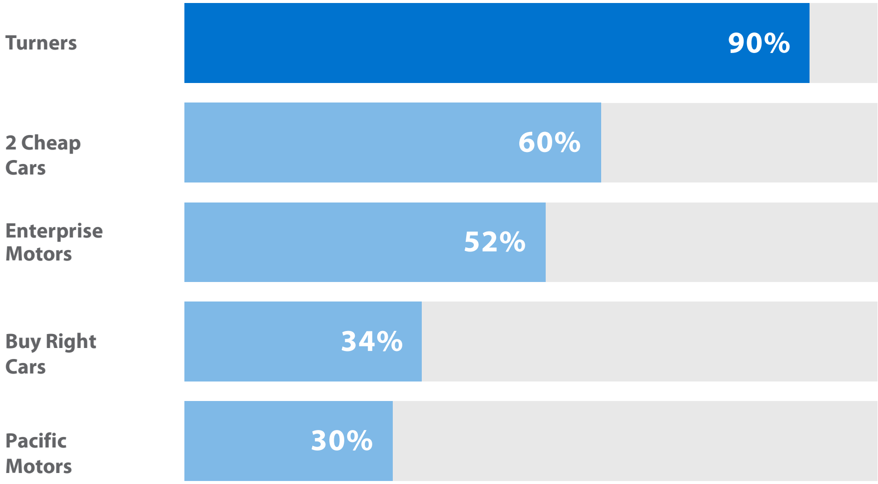
Growth of NZ's ageing vehicle fleet

Demand for digitisation

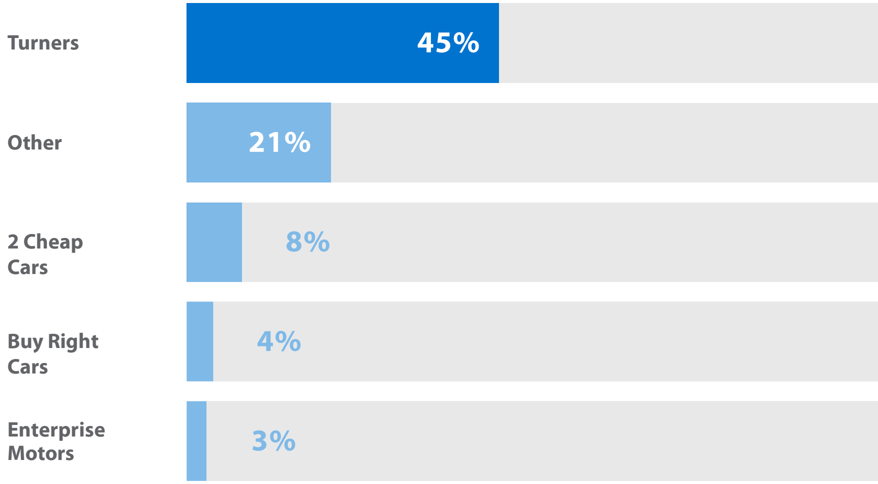
Industry-leading brand

With over 50 years in the market, we are the largest and most-trusted brand in the industry.

90% Brand awareness in the New Zealand market



45% View Turners as the most trustworthy used car dealer in New Zealand



Source: TRA Qualitative and Quantitative Study, 2017.

Complexity of existing business

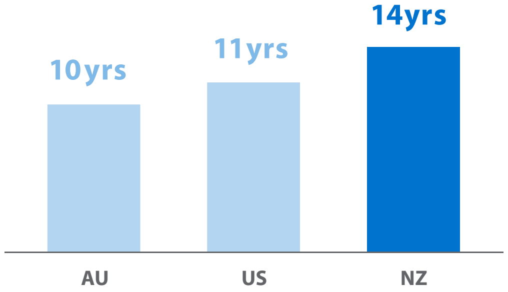
- Our business model has the perception of being complicated, compounded by multi-brands and some low synergy businesses.
- Turners business model and operating performance can be difficult to understand and compare.
- Disproportionate resources and capital are being used in lower ROE segments of the business.

NZ's ageing and growing vehicle fleet

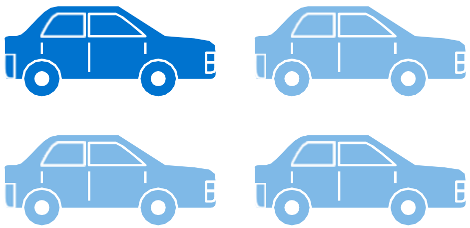
A large proportion of cars in New Zealand are at the end of their economic life.

14 years

Average age of light fleet in New Zealand



Source: Ministry of Transport, 2018.

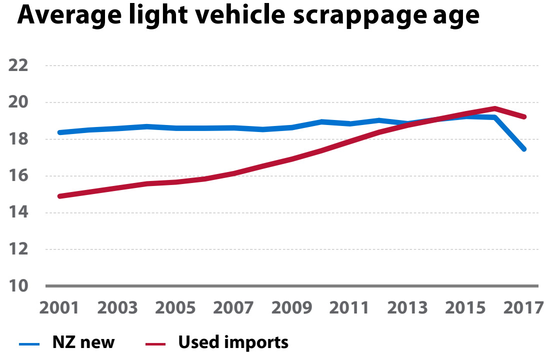


24%

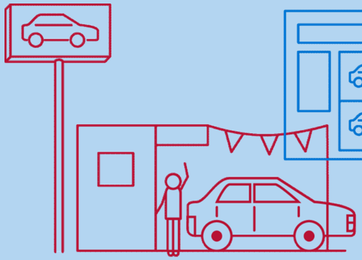
(953,000 cars) are 20+ old

17.5 – 19.5 years

Average age of exit (NZ new – used)

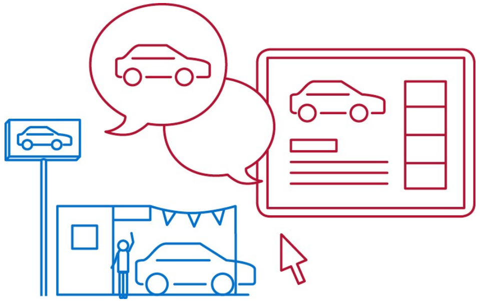


Increased digitisation



Before

Personal contact with dealers, combined with online research and configuration, has been common



Now

Digital natives are becoming mainstream car buyers who follow omnichannel experiences

Of all internet users in NZ 86% are using YouTube and 85% are using Facebook

Source: Global WebIndex, 2018

The average car buyer used to visit five dealerships. Now, with online research, that number has dropped to two

Source: Google TNS Auto Study, 2016

Strategic initiatives

Simplify

- Single brand strategy in Auto Retail
- Single brand and system strategy in finance and insurance
- Run down non-core life insurance products
- Strategic review for business units where we don't hold dominant market position

De-Risk

- Continue strategy of writing higher quality loans
- Early adoption of comprehensive credit reporting
- Focus on loan origination rather than underwriting credit risk
- Active engagement with regulators

Grow

- Expand auto retail footprint
- Shift marketing investment into digital platforms
- Leverage data analytics to buy and sell smarter
- Evolve the customer experience in person and online
- Look for innovation and disruptive opportunities

Focus on a single brand strategy

Leverage our strong brands, remove complexity and play to strength in auto retail.

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Consumer brands

Turners Finance

Turners Cars

Wholesale/B2B brands

Autosure New Zealand

oxford FINANCE

EC Credit Control

Turners Damaged & End of Life Cars

Turners Trucks & Machinery

Buy Right Cars brand change out completed in May

Strategic review of business units

We are undertaking a review of non-core businesses with lower synergies to the core auto business.

Short term review	Medium term review
oxford FINANCE	EC Credit Control

Short term review – oxford FINANCE

- Capital intensive growth model
- Profits from captive business are deferred
- Reduces channel conflict

Medium term review – EC Credit Control

- High return capital business
- Non-auto therefore lower alignment with auto-centric strategy

Improve the customer experience

Expand our retail footprint
Continue to expand our footprint in high potential locations across the country.

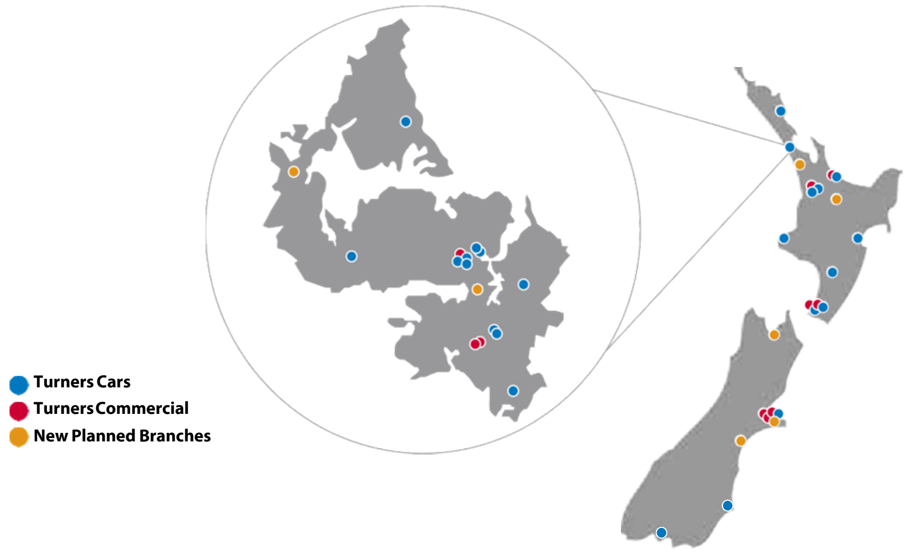
Increase our brand reach with digital marketing **We will increase our marketing investments and shift existing marketing dollars to online channels (especially social) to improve efficiency and reach new customer groups.**

Use data to source more effectively
Invest in extracting insights from our data assets to help identify the right cars to buy and the right price to sell them at to maximise yield.

Bulk buying
Leverage our scale and balance sheet to drive down sourcing costs by buying in bulk (i.e. 100 cars at a time).

Turners Auto Group Owned Properties

Whangarei (8,000m2)	Turners Cars
Mt Richmond Auckland (10,500m2)	Turners Cars
Roscommon Road Auckland (10,000m2)	Turners Trucks
Porirua (17,000m2)	Turners Cars
Palmerston North (1,850m2)	Turners Trucks
Christchurch (9,000m2)	Turners Damaged

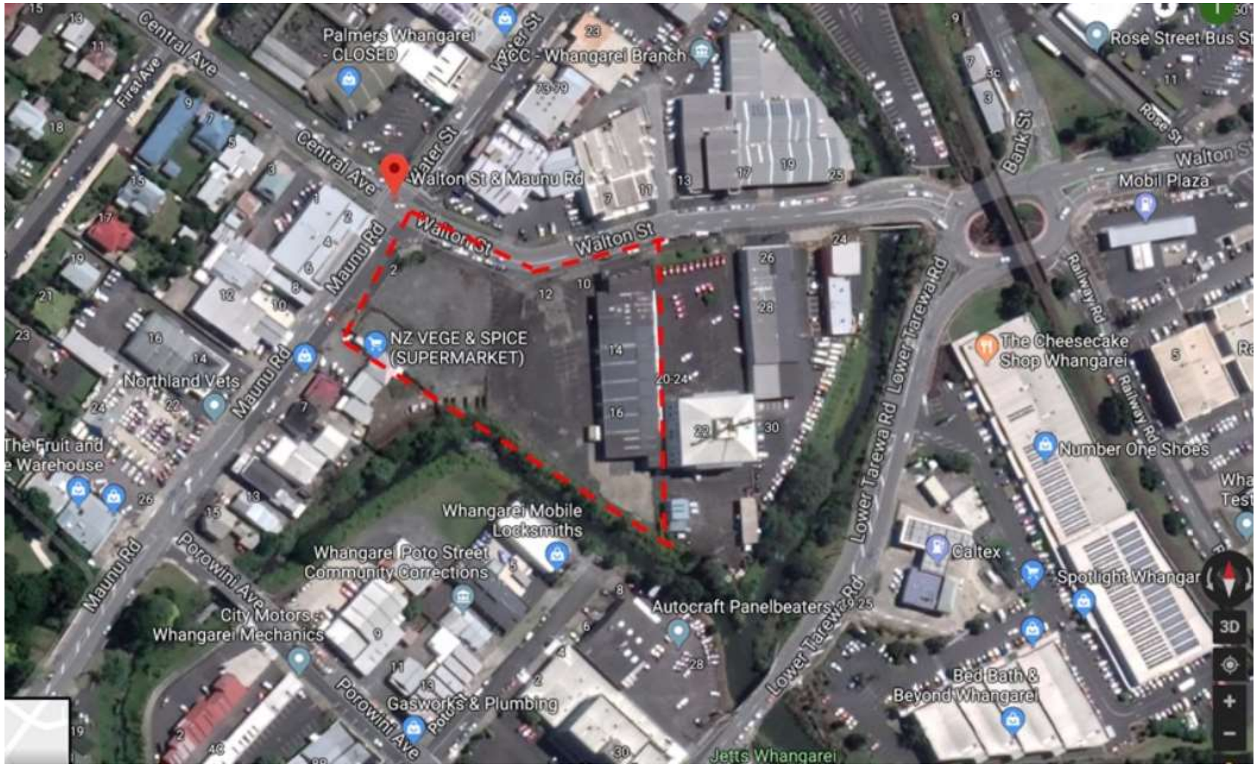


Growth in footprint from ~147,000m^2 to ~220,000m^2 in next 2 years through opening 9 new sites

Committed branches

North Shore - AKL	Re-opening of Turners' Auto-Retail flagship store	July 2019	8,524m^2
Dunedin	Re-opening of Turners' Auto-Retail flagship store	Dec 2019	9,025m^2
Westgate - AKL	Part of wider Auckland expansion	June 2020	8,500m^2
Mt Richmond - AKL	Processing and Retailing	June 2020	10,300m^2
Christchurch East	Turners Auto-Retail expansion	2020	10,000m^2
Pukekohe	Part of wider Auckland expansion	2021	10,000m^2
Nelson	Part of the regional expansion strategy	2021	8,000m^2
Rotorua	Part of the regional expansion strategy	2021	8,000m^2
Timaru	Part of the regional expansion strategy	2021	8,000m^2

Branch Re-location – Whangarei (Owned site)



- **Purchased old Placemakers site**
- **Increased footprint from 6,500m2 to 8000m2**
- **High profile corner site**
- **Higher % of retail sales at new site, more finance deals, higher margins on owned inventory**
- **3 months to June 85% increase in operating profit Jun YTD**

New Branch – New Plymouth

- **Leased site**
- **High profile corner site on busy arterial of 4,600m2**
- **180+ car site**
- **High yard to building ratio**

New Branch – Wellington City

- Leased site
- Pop up store concept
- High profile corner site on busy arterial of 1,200m2
- Branding and lead generation for larger Porirua site


Turners Cars

Relocation – North Shore (Owned site)

- Owned and developed site in car precinct of Wairau Valley
- High profile site on Archers Road 8,500m2
- 300+ car site
- High yard to building ratio
- Opens late July


Welcome

New Branch – Hamilton

- **High profile corner site across from The Base**
- **5,000m2**
- **200+ car site**
- **Opens in August**
- **Turners Cars branded site**
- **Utilises stacked containers for brand statement**


Turners Cars

Proposed New Branch – Westgate Auckland

- **Leased site in Westgate Auckland**
- **High profile corner site of 8,500m2**
- **300+ car site**
- **High yard to building ratio**

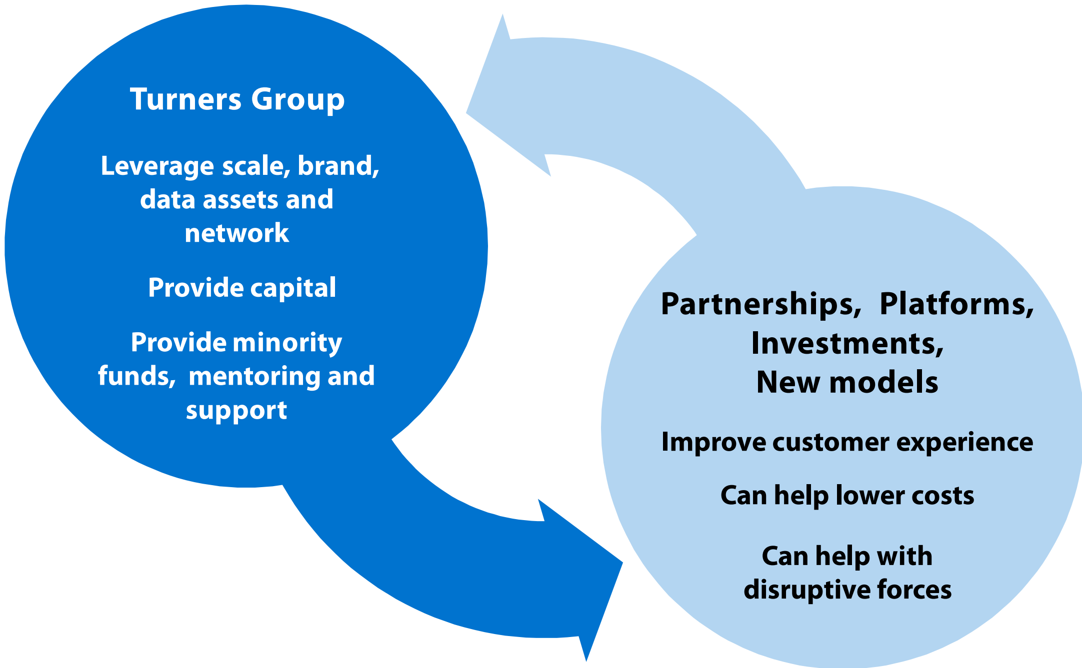
New branch example – Westgate Auckland

Adjacent opportunities

Turners has a strong balance sheet, large customer base and rich data assets which put it in a unique position to partner and invest to harness the changing market dynamic.

Criteria for Investment / Partnership

- **Highly adjacent to auto markets**
- **Turners brand would make sense**
- **Strong interest in platform or aggregator type models**
- **Must significantly improve the way customer needs are met**



Innovation - Investment in Collaborate (CL8.ASX)

Overseas

<u>Now</u>
12 OEMs and 26 non-OEMs offering vehicle subscription in Europe and USA

<u>Forecast</u>
10% of all new vehicles to be offered via vehicle subscription in 2025 - Frost and Sullivan 2019

- **Invested AUD$1 million for 12.13% stake in Collaborate Corp (CL8.ASX)**
- **Turners appoint a director to the Collaborate board.**
- **Want to understand alternative ownership models**
- **Collaborate's core business centres around the rapidly evolving car sharing market with DriveMyCar, Australia's leading peer-to-peer car rental business, complemented by Carly, Australia's first truly flexible car subscription offering.**
- **This is the first of a series of potential investments by Turners under the pillar of innovation and ventures**

Focus & Outlook

Focus and Outlook

Auto retail

- Expand footprint
- Invest in digital and social marketing channels
- Leverage data analytics

Insurance

- Focus on auto-retail insurance
- Look for partnership opportunities to increase distribution
- Run down non-core life insurance products

Finance

- Short term strategic review
- Continue to focus on risk pricing
- API development to broaden distribution

Credit

- Medium term strategic review
- System integration to improve debt load process

Adjacent opportunities

- Launch vehicle subscription in NZ
- Investigate, assess and invest in other opportunities

All business divisions tracking ahead of budget and ahead of FY19 at end of Q1

Questions

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FY20 INVESTOR ROADSHOW PRESENTATION

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II. The occurrence of catastrophic events with a frequency or severity exceeding our estimates;

III. The legal environment;

IV. Loss of services of any of the company's officers;

V. General economic conditions; and

VI. The competitive environment in which the company, its subsidiaries and its customers operate; and other risks inherent in the company's industry.

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