

FY23 results

Presentation

NZ AUTOMOTIVE INVESTMENTS

FULL YEAR FINANCIAL RESULTS
TO 31 MARCH 2023

29 May 2023



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All information presented is current at 31 March 2023, unless otherwise stated. All currency amounts are presented in NZ dollars, unless otherwise stated.

Authorised for release by the Board of Directors.



Agenda

1. Chair address | Michael Stiasny, Chair

2. Business overview | Paul Millward, CEO

3. Financial results | Haydn Marks, CFO

4. Business update | Paul Millward, CEO

5. Outlook

6. Q+A



FY23 Summary of key results

Revenue and income

\$82.7M

▲ up 25% from \$66m

NPAT

\$1.3M

▼ down (\$1.3m) from \$2.6m
(includes \$1.0m restructuring & non-recurring costs)

FY23 Underlying NPAT

\$2.0M^{*}

▲ up 18% from \$1.7m

Dividend

0.0 CPS

▼ down from 3.1 cps

Underlying EPS

4.4 CPS

▲ up from 3.7 cps

Operating cash flow – ex. lending

\$10.9M

▲ up \$10.3m from \$0.6m

Q4 UNDERLYING NPAT

\$0.8M^{*}

▲ up (representing 40% of full year profit)

RETAIL CONTRIBUTION MARGIN

\$3.8M

▲ up 18% quarter-on-quarter

^{*}Underlying NPAT is a non-IFRS measure that excludes non-recurring costs including restructuring.



FY23 Business overview

- Board reset the Company foundations to focus on core vehicle retail business.
- Appointed commercially-focused CEO Paul Millward in January 2023.
- Optimised pricing and promotion delivered gross margin expansion in Q4 and improved underlying profitability for FY23.
- Total vehicle sales up 6.1% for the year, capturing 4.5% dealer-to-public market share.
- Finance and insurance (F&I) penetration rates down for year – but improved to 29% in March 2023.
- EV and HEV sales increased 65% to 41% of total sales.
- Shipping constraints partially mitigated.
- Affordable used car segment remained buoyant, despite difficult economic conditions.



Resetting to deliver sustainable profits

Rebuild

- Developed clear, commercially-focused road map
- Appointed new auditors
- Secured trade finance facility (change over imminent)

Singular focus

- Vehicle retail business – 2 Cheap Cars
- Decision taken to run down NZ Motor Finance loan book and act as finance agent

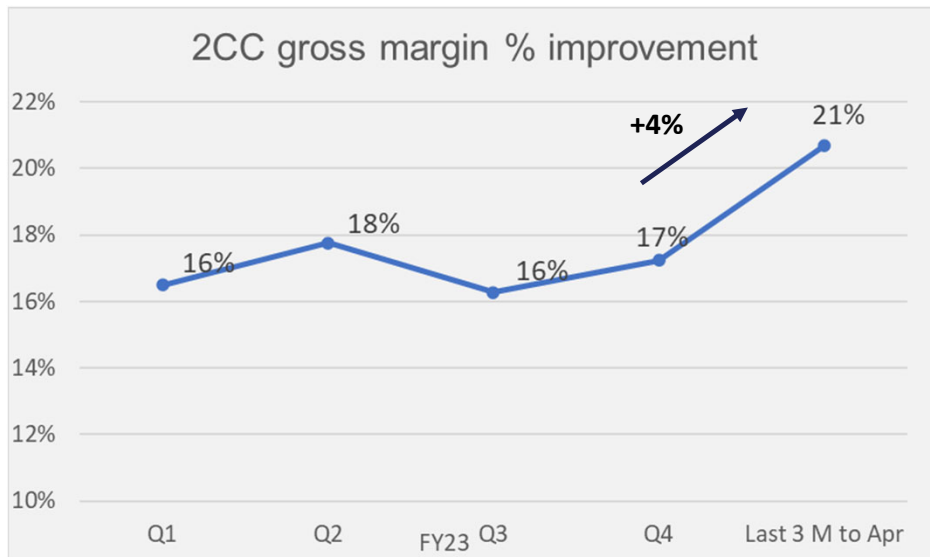
People and culture

- Recruited GM Retail – a new strategic sales position
- Building capability in the team through targeted recruitment and training
- Empowering a culture of delivery with reshaped KPIs rewarding value and profit delivery

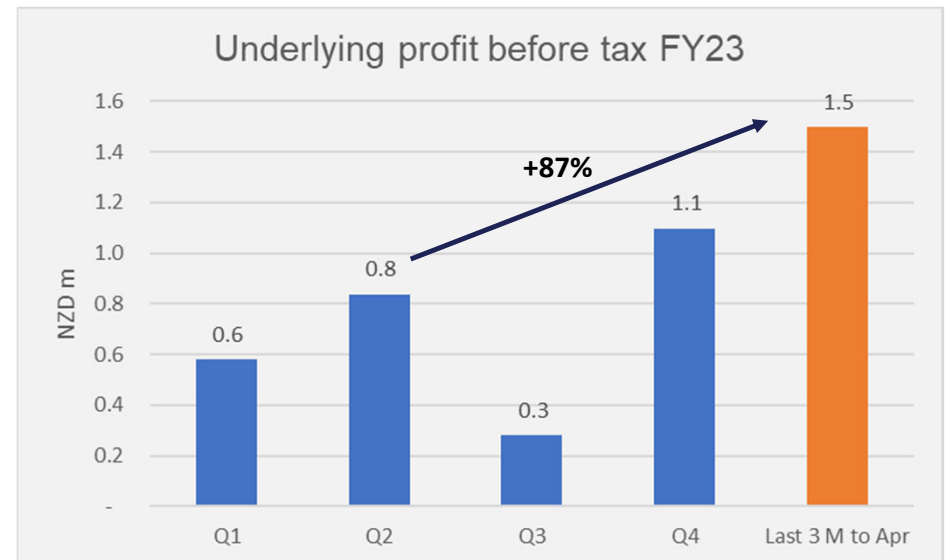


Improving profitability

Improving gross margins are driving profit increase



Gross margins up from 17% to 21% in the past 3 months



.... driving improved profitability



Financial results



FY23 Financial results

Compared with FY22:

- Revenue and income up 29% to **\$82.7m**, driven by increased sales volumes and inflationary impacts.
- Contribution margin up by 18% to **\$14.8m** and further improving in Q4.
- Operating expenses up by 2% to **\$8.8m**, due to investment in marketing.
- Underlying EBITDA including finance income up by 26% to **\$6.0m** as a result of the sales volume increases and gross margin expansion.
- Net profit after tax (NPAT) of **\$1.3m** includes restructuring and other non-recurring costs of \$1.0m.
- Underlying NPAT increased 18% to **\$2.0m**.

	FY23	FY22	Change
Revenue and income	82.7	64.2	29%
Sundry income	0.0	1.7	(98%)
Total revenue and income	82.7	66.0	25%
Contribution margin	14.8	12.6	18%
Operating expenses	8.8	8.6	2%
Assignment of leases	-	(0.9)	(100%)
Underlying EBITDA inc finance income	6.0	4.8	26%
<i>Underlying EBITDA margin</i>	<i>7.3%</i>	<i>7.2%</i>	<i>0%</i>
Non-recurring costs / (Income)	1.0	(0.9)	N/A
EBITDA inc. finance income	5.0	5.7	(11%)
D&A	2.1	1.8	20%
EBIT	2.9	3.9	(25%)
Net interest expense	1.1	0.7	58%
NPBT	1.8	3.2	(43%)
Tax	0.5	0.6	(12%)
NPAT	1.3	2.6	(50%)
Tax effect of other items	0.7	(0.9)	(178%)
Underlying NPAT	2.0	1.7	18%
<i>Underlying NPAT margin</i>	<i>2.4%</i>	<i>2.6%</i>	<i>(0.2%)</i>
EPS	2.8	5.7	(50%)
Underlying EPS	4.4	3.7	18%

FY23 Cash flow

Compared with FY22:

- Net cash flow (excluding loan book lending) increased by \$10.3m to **\$10.9m** on the back of EBITDA result and reducing inventory levels.
- The loan book is in run down mode, resulting in a \$5.7m increase in operating cash flow.
- Total net operating cash flow improved by \$16.1m to **\$13.6m**.
- No final dividend will be paid. The company anticipates recommencing dividend payments in HY24, if prudent to do so.

Cash flow summary	NZD m		
	FY23	FY22	Change
Net cash flow ex. loan book lending	10.9	0.6	10.3
Net loan book lending	2.7	(3.1)	5.7
Net operating cash flow	13.6	(2.5)	16.1
Investing cash flow	(0.2)	(0.4)	0.2
Financing cash flow	(13.5)	(1.5)	(12.0)
Net cash flow	(0.1)	(4.4)	4.3
Cash equivalents	3.7	3.8	(0.1)



FY23 Financial position and funding

Compared with FY22:

- Inventory turnover improved, dropping from 86 days to 57 days.
- Optimal inventory level expected to be \$10.5m on current footprint.
- Loan book reduced from \$6.8m to **\$3.9m**.
- Balance sheet remains solid with \$3.8m in cash and zero net debt.
- New \$5m retail trade finance facility with partner Finance Now, in final stages of execution.

Balance sheet summary	NZD m	
	FY23	FY22
Cash equivalents	3.8	3.8
Inventories	8.4	13.0
Loan receivables	3.9	6.8
Other assets	13.3	13.7
Total assets	29.3	37.3
Borrowings	0.9	11.8
Other liabilities	12.2	10.4
Total liabilities	13.1	22.2
Equity	16.2	15.1



Business update



Our strategy



1. Supply chain leadership

- Expand our Hub car processing to unlock growth ✓
- Actively increase supply of affordable EV & HEVs. ✓
- Leverage our scale to drive efficiencies ○
- Explore broader sourcing strategy ○

2. Retail footprint to win

- National dealership footprint for wider reach ✓
- Clear property strategy to broaden reach and profitably ✓
- Refurbish and modernise dealerships ○
- Relevant brand programme to connect ○

3. Gross margin expansion

- Increase financial penetration ✓
- Implement and grow digital application and fulfilment ✓
- Right value proposition - availability, price and promotion to win locally ✓
- Continuing cost and value programme

4. Digital to deliver

- Refine full end-to-end online buying process ✓
- Execute on customer insights ○
- Digital platform to “make it easy” ○

5. Customer experience

- Deepen connection with 135k+ followers on social media ○
- Invest in customer care team ✓
- Capability investment for frontline staff ✓
- Further uplift in customer satisfaction ✓
- Deliver customer value through partnerships ✓

✓ Progress made ○ Next steps

Business update

2 CHEAP CARS

2CheapCars

13

Dealerships

8,367

Cars sold in FY23

17%

Digital sales

4.5%

Market share

VEHICLE SALES AND REVENUE

- Total vehicle sales up 6%.
- Revenue up 29% on the prior period.
- Sales of digital origination accounted for 17% of total sales.
- F&I penetration 26% for FY23. March 2023 has seen acceleration to 29%.

PROCUREMENT

- Japanese-based team sourcing vehicles remains a competitive advantage.
- Using additional shipping suppliers to mitigate reduction in vehicle supply.

PROCESSING CAPACITY

- New operational activities at the hub continue to add value – increasing speed to yard and reducing costs.

CAPABILITY

- Newly created position – General Manager Retail – to extend and deepen sales capability.
- Strong focus on talent and capability development.

**Source: Autofile; based on 2 Cheap Cars' vehicle sales as a proportion of used cars sold (dealer-to-public) between 1 April 2022 and 31 March 2023.*

Growth opportunity

Electric & hybrid electric vehicles (EV/HEVs)

NZAI has a focused EV/HEV strategy and is well positioned to meet increasing demand

68,543

Electric vehicles on the road in NZ up 89% pa

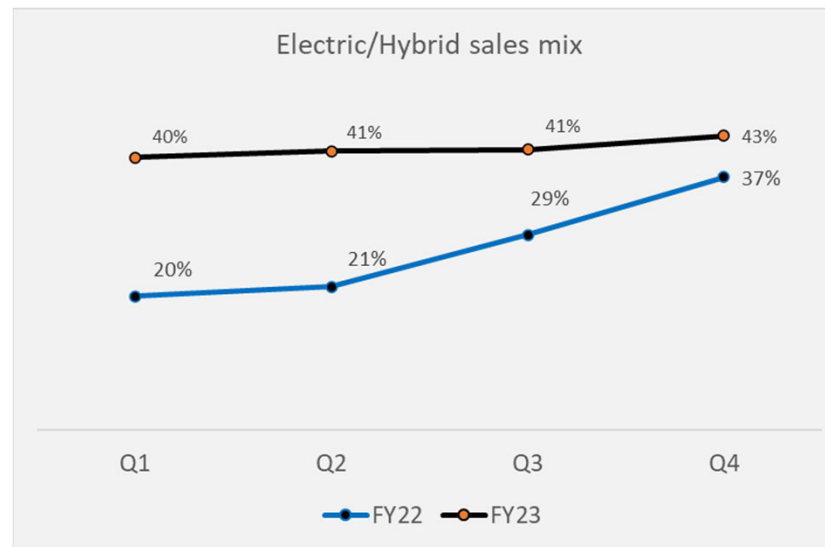
(Source: Ministry of Transport, Dec 2022).

3,459

Number of EV/HEVs

2 Cheap Cars sold in FY23, an increase of 65% on FY22

EV/HEV sales grow to 43% of total sales in Q4



Government's Clean Car regime

2 Cheap Cars in a credit position in FY23 with potential future opportunities.



Outlook



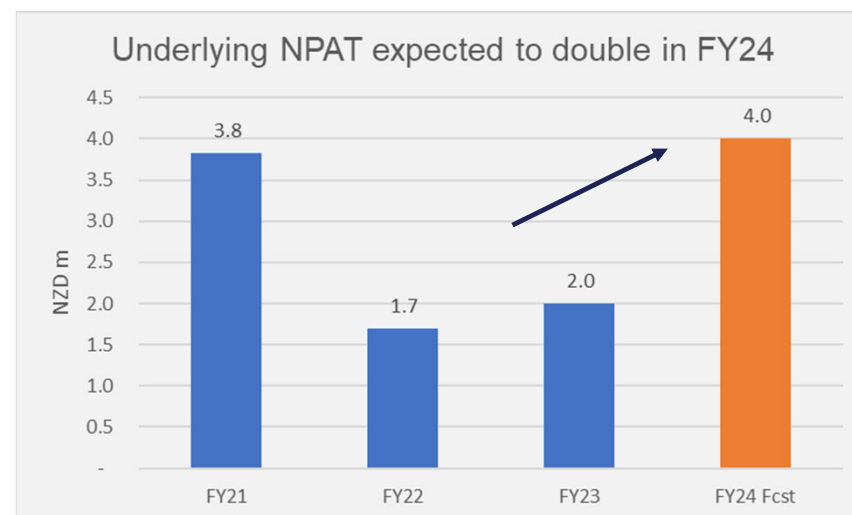
Outlook FY24

Action plan

The Company is seeing demand for vehicles and finance and insurance remain strong, driven by its own clearer value proposition, immigration and the Government's Clean Car regime.

Vehicles sold by 2 Cheap Cars fulfil a basic and essential need. Therefore, despite the economic headwinds, the market segment is expected to remain buoyant.

- **Gross margin expansion** – Margin delivery will take priority over market share.
- **EV/HEVs** – Further leveraging our leadership position by supplying an unrivalled range of quality, affordable vehicles.
- **Supply chain** – Focusing on a quality first approach, navigating shipping risks and progressing insourcing some compliance for cost and control upsides.
- **F&I** – Finance and insurance acceleration plan is well underway, providing an incremental and highly profitable income stream.
- **Three-year strategic property plan** – Focusing on retail locations where the 2 Cheap Cars scale model works, providing opportunities for profitable growth.
- **Increase in NPAT** – NPAT expected to increase to \$3.8m to \$4.2m by concentrating on gross margin expansion, prudent cost management and increasing direct control of value chain.



Q+A



Thank you



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