



NZ Automotive Investments Limited

Investor Presentation | February 2021

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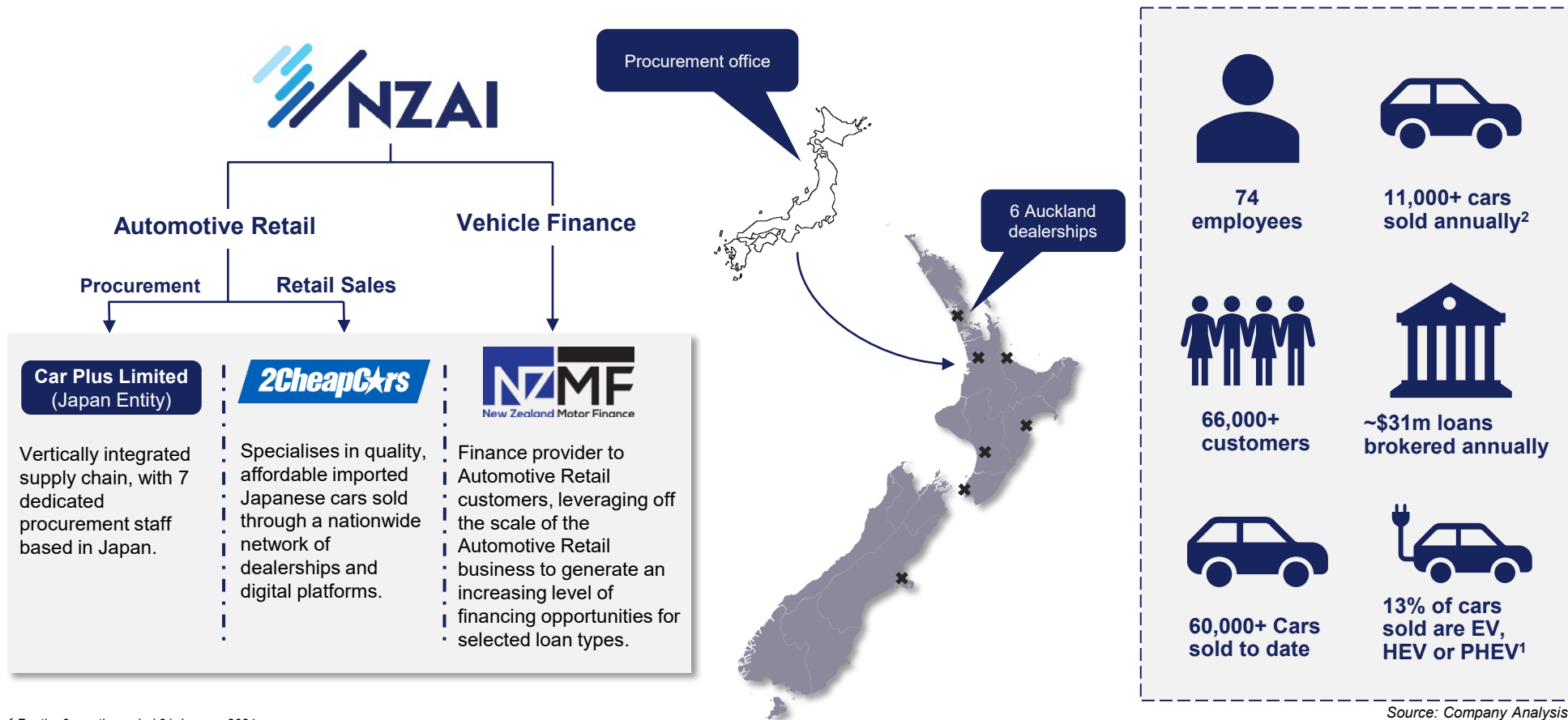
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About NZAI

NZAI is an Automotive Group that specializes in importing Japanese used cars. With operations in Japan and NZ, the Group is vertically integrated from procurement through to retail sales and financing.

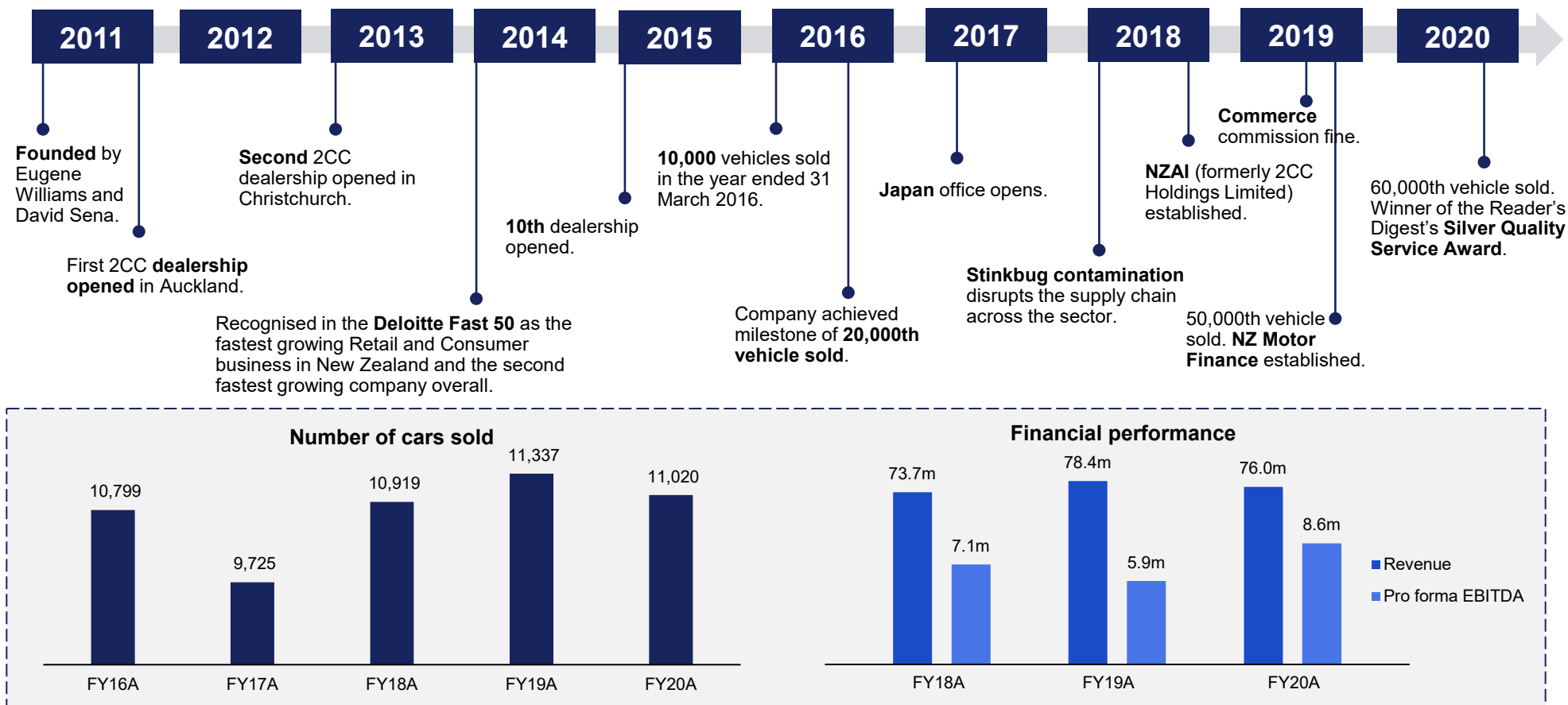


¹ For the 6 months ended 31 January 2021.

² Average over the past three years.

Key Milestones

Founded in 2011, NZAI has grown to become a nationwide dealership with approximately 8% market share of the imported used car market¹.



¹ Based on the 12 months ended 31 March 2020. Calculation based on 2CC's motor central sales data for FY20 divided by 137,016 imported passenger sales for the same period as published by Autofile magazine.

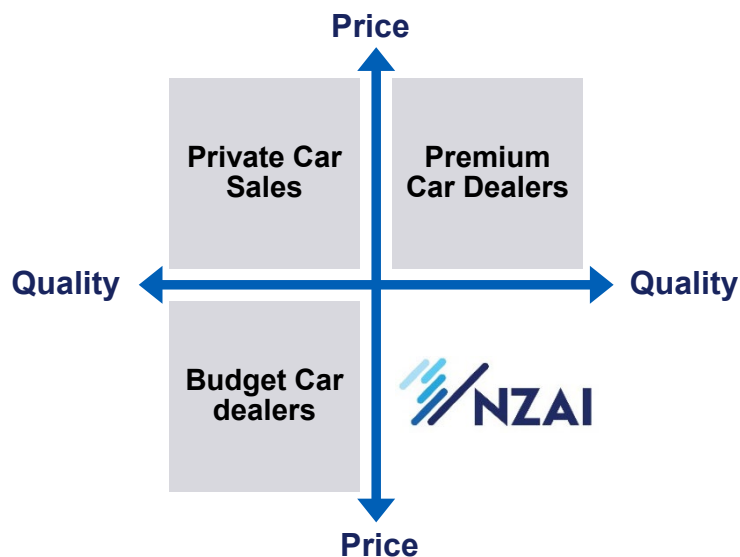
Market at a Glance

The used car import market has been a traditional mainstay for everyday New Zealanders, exhibiting a compound annual growth rate of 8.7% in the last seven years¹.

Market: Imported used car sales, which makes up 60% of the entire New Zealand passenger vehicle sales market².

Market Position: Three main categories of competitors; premium car dealerships, budget car dealership and private cars sales, differentiated by price and quality.

Competition: The New Zealand used vehicle market is very fragmented with 3,094 registered dealers³.



¹ Source: Ministry of Transport 2019 – NZ Vehicle Fleet Data.

² Motor Industry Association New Zealand (accessed as at 9 Nov 2020). Figures based on new registrations into New Zealand and do not include private sales between individuals.

³ Motor Vehicle Traders Register.

4.0m

light vehicles
registered in New
Zealand, of which
1.0m turn over
each year

~800k

of light
passenger cars
near the
scrapping age

96%

of used light
passenger
vehicles are
imported from
Japan

~150k

used passenger
vehicles imported
annually

~17yrs

is the average age
of used vehicles in
New Zealand

684

light passenger
vehicles per 1,000
people

Source: Ministry of Transport 2019 – NZ Vehicle Fleet Data

Key Business Strengths

Operating in a fragmented market, NZAI has a wide range of key attributes.

1

Focused and Efficient Business Model

Mission is to deliver quality cars and financing solutions to the average New Zealander.

2

Favourable Market Dynamics

Operates in a growing sector with an aging fleet; approximately 800,000 light vehicles are over scrapping age (20 years of age for import) and will need to be replaced over the near term¹.

3

Growth-Orientated Automotive Platform

NZAI's existing position in the used car market provides a base from which to grow its Vehicle Finance division in line with NZAI's plans. Approximately 33% of the Automotive Retail division's customers require vehicle finance at point of sale – currently that finance is provided by third parties.

4

Digital First Customer Experience

Early adopter of social media and digital advertising, enabling its customers to arrive at its dealerships ready to purchase a car that they have already viewed and agreed to a price online.

5

Track Record of Cash Generation

Highly cash generative business with a healthy track record of paying dividends (average of 61% of NPAT for the last three financial years). The Board's current intention is to declare a full year dividend for FY21 in May 2021, to be paid in June 2021.

6

Highly Experienced Leadership Team

Management, backed by independent governance, has significant experience relevant to building a diversified automotive business. Co-founders and Executive Directors Eugene Williams and David Sena have built an automotive retail businesses that has become a major Japanese used car imported in New Zealand in less than a decade.

¹ Ministry of Transport 2019 – NZ Vehicle Fleet Data.

Focused and Efficient Business Model

NZAI's Automotive Retail division operates a high volume, low-cost model underpinned by quality cars and excellent service via its integrated supply chain with operations in Japan and New Zealand.

International Procurement Team

- Japan based procurement team, allowing NZAI to directly inspect the quality of its purchases.
- This provides NZAI with price and inventory advantages that translate to higher gross margins.
- Price and inventory advantages are evident in the margins NZAI has achieved against NZX-listed Turners Automotive Group Ltd (“**TRA**”) and Eagers Automotive Ltd (“**APE**”).

Capital-Efficient Arrangements

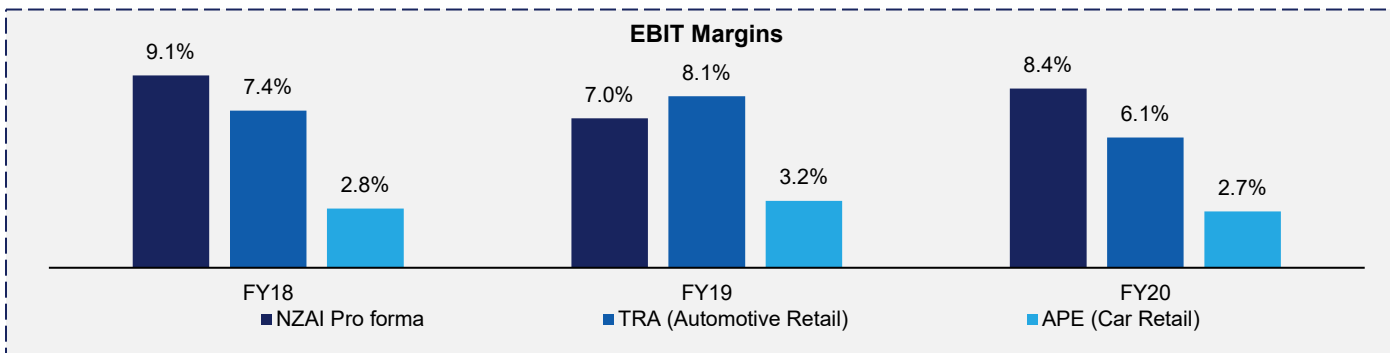
- All dealership sites are leased, with an average lease tenure of 3.3 years.
- Avoided entering the capital-intensive vehicle finance space until retail base established.

Company-Owned Dealerships

- Owns all its dealerships, allowing greater control over the customer experience.
- Dealerships are in industrial areas with lower lease costs.

Sales-Driven Approach backed by Excellent Service

- Centralised administration, enabling dealerships to focus on sales.
- Significant focus on social media promotion.



Source: Companies' Annual Reports. NZAI and TRA reflect financial years ending 31 March 2018-20. APE reflects financial years ending 31 December 2017-2019. NZAI includes loss-making finance division NZMF.



**6 Japanese based
procurement staff**

\$8m

**trade facility
with ASB Bank**

**24
days**

**on average to
sell a car on
yard**

Favourable Market Dynamics

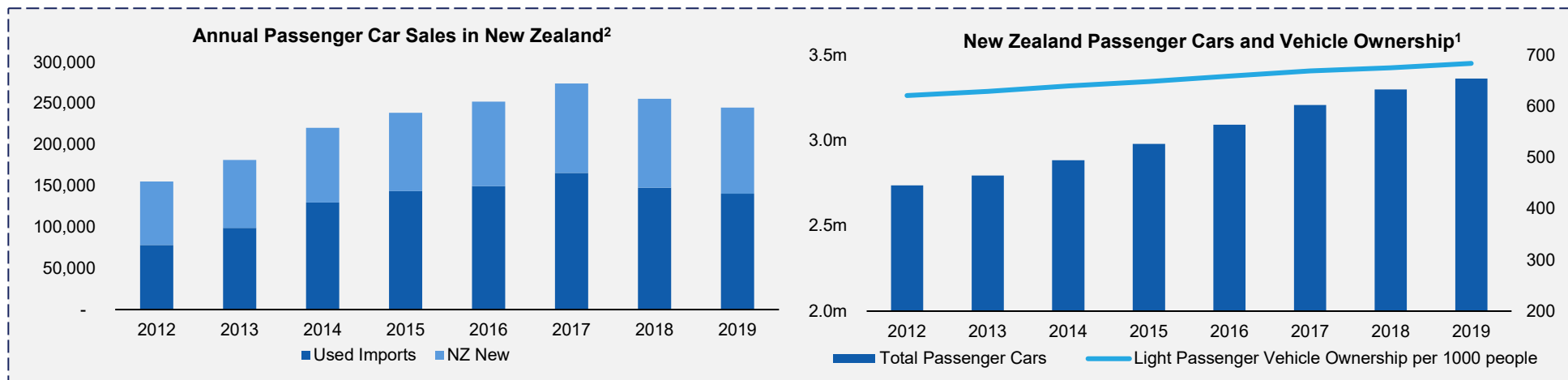
New Zealand is an attractive automotive market. New Zealanders own roughly 0.7 light passenger motor vehicles per person, which is amongst the highest levels of private vehicle ownership globally¹.

Increased Migration: Strong migration has historically been a driver of light vehicle fleet growth in New Zealand, and the attractiveness of the country in the global context should continue to support interest in inbound immigration.

Contracting number of dealers: The number of vehicle dealerships in New Zealand has declined over the last two years, from 3,435 in November 2018 to 3,094 in October 2020³. NZAI believes this trend will result in a lower level of competition and a stronger competitive position for NZAI.

Shift towards electric vehicles: NZIA is not beholden to a single manufacturer and is therefore indifferent to the increase in consumer interest in electric vehicles. This consumer preference shift may in fact benefit NZAI by increasing the rate at which people want to replace their cars.

Increased Health Concern: Covid-19 concerns may drive consumers to favour private vehicles over public transport, supporting higher levels of car ownership and demand over the medium-term.



¹ Ministry of Transport, The NZ Vehicle Fleet Report 2019.

² Motor Industry Association New Zealand (as of 10 February 2021). Figures based on new registrations into New Zealand and do not include private sales between individuals.

³ Motor Vehicle Traders Register.

Growth-Orientated Automotive Platform

NZAI is positioned to build a diversified Automotive Group, leveraging off its Automotive Retail division to build a profitable finance book.

The close relationship between the divisions means that the NZAI finance business has a clear operating cost advantage over independent finance companies of equivalent size. The risk and cost of acquiring sufficient business to grow the finance book is also minimised due to the ability of NZAI to cross-sell to its retail customer base.

Vertical integration with Finance



Grow NZMF's loan book by offering Automotive retail customers finance from NZMF (historically provided through a range of third party finance companies).

Improve digital offering



Improve digital offering by upgrading the Company's digital platform so customers can purchase and pay for vehicles directly online.

Digital First Customer Experience

NZAI was an early adopter of social media and digital advertising, an approach which caters to its target market of everyday New Zealanders.

Digital First approach: Early adopter of social media and digital advertising, which caters to its target market of 20 – 45-year-olds.

The customer can arrive at its dealerships ready to purchase a car that they have already viewed and agreed to a price online:

- Reducing the time salespeople spend with each customer;
- Increasing inventory turnover; and
- Minimising the need for a large dealership footprint in high profile locations. This allows 2CC's dealerships to be based largely in industrial locations with lower lease costs.

Brand Building and Recognition: The adopted marketing strategy has enabled 2CC to build a brand identity with over 130,000 followers on Facebook and Instagram. The Company runs a range of promotional activities over its social media platforms, which are managed by its internal marketing team.

Aging Customer Base: As these consumers age over time and continue through multiple vehicle life cycles, their brand affinity with 2CC provides a customer base for used car purchases and cross-selling of ancillary products.



4.18 / 5.00

Buyer Score rating based on
11,859 reviews from January
2017 to November 2020¹

92%

of customers surveyed
would recommend 2CC or
would purchase from 2CC
again¹

130k+

followers on Facebook and
Instagram²

¹ 2CC's BuyerScore dashboard for January 2017 to November 2020. BuyerScore is an independent rating and review collection service for vehicle dealers in New Zealand.

² as assessed on 2CC Instagram and Facebook page 11 February 2021.

Track Record of Cash Generation

NZAI has a strong track record of paying dividends and will continue to target a 50% – 60% pay-out ratio.

Cash conversion: Strong cash conversion has allowed NZAI to pay dividends of approximately 61% of net profit after tax (on average) during the last three financial years.

Low Capital Expenditure: Annual capital expenditure has remained relatively steady at between \$0.4m and \$0.8m.

Target dividend pay-out ratio: NZAI has a dividend policy with a target pay-out ratio of 50%-60% of underlying NPAT. Retained earnings will be used to grow the Vehicle Finance division.

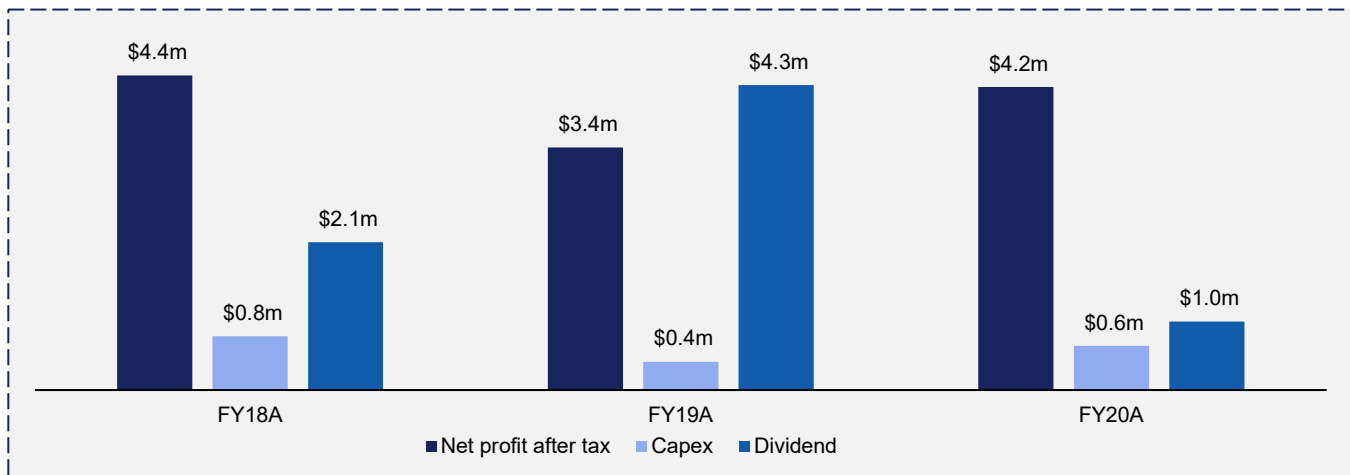
Payment of FY21 Dividend: The Board's current intention is to declare a full year dividend for FY21 in May 2021, which is expected to be paid in June¹.

\$6.6m

cash on hand

\$7.6m

Dividends
paid to
shareholders
in last 3 years



Source: Company analysis.

¹ Subject to market conditions, no further substantive lockdowns and Board approval.

Highly Experienced Leadership Team

Experienced independent Board including the co-founders and Executive Directors Eugene Williams and David Sena.

Board of Directors

Karl Smith

Independent Chair



- Over 40 years executive and governance experience previously serving as CEO of Gough Group and in various other senior positions.
- Current directorships include Halls Group Limited (Chair), Hamilton Jet, FortHill Property Limited (Chair) and VetNZ Limited.

Tracy Rowsell

Director



- Advisory partner at BDO Auckland, with more than 20 years of experience in providing business advisory and taxation services.
- Provided advice to 2CC since 2012 and has a close understanding and knowledge of the business.

Charles Bolt

Independent Director



- Prior to his current role in the General Counsel for TIL Logistics Group, Charles began his career at NZX, Bell Gully and served in senior executive positions at Fletcher Building.
- Holds an LLB from Victoria University and has completed the Senior Executive Programme at Columbia University, New York.

David Sena

Co-Founder & Executive Director



- David founded 2CC in 2011 with Eugene Williams. Born in Japan, David has been influential in developing and maintaining relationships with overseas vehicle suppliers.
- David has been a Director of NZAI since its inception and is responsible for supply chain and procurement.

Eugene Williams

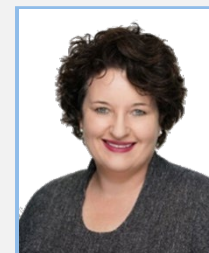
Co-Founder & Executive Director



- Prior to founding 2CC in 2011 with David Sena, Eugene had been a successful small business owner in the education and FMCG sectors.
- Eugene is responsible for sales and marketing and overall strategy of NZAI. He has been a Director of NZAI since its inception.

Michele Kernahan

Independent Director



- Managing Director of New Zealand's largest temperature-controlled transport and logistics business, Hall's Group.
- Holds an MBA and BA from the University of Canterbury, and has completed executive programmes at Harvard, Wharton, Stanford and Melbourne Business Schools.

Highly Experienced Leadership Team

NZAI's management has the necessary skills and experience to build a diversified automotive business.

Executive Management



David Page
Chief Executive Officer

- David has worked across a diverse range of industries, holding a range of general management roles and corporate governance responsibilities.
- Over 25 years of asset finance and banking experience, which includes a comprehensive knowledge of consumer, motor vehicle and commercial asset finance.
- Recently spent 10 years at ASB, where he was responsible for setting up the Asset Finance business and growing the Specialist Industries business which included Asset Finance, Franchise Banking, Healthcare Banking, Professional Services Banking, Maori Financial Solutions, Industry Development and Strategic Partnerships.



Haydn Marks
Chief Financial Officer

- Over 20 years of financial management and leadership experience across financial services and technology sectors.
- Four years as CFO with a listed technology company, Straker Translations (ASX:STG), where he took the company to IPO on the ASX in 2018.
- Ten years working in London, most notably, in a commercial group finance role with banking software company Temenos (TEMN:SWX) and prior to that held finance roles at Credit Suisse and Visa card.
- Member of Chartered Accountants Australia and New Zealand and holds a Bachelor of Business from Massey University.



Martin Blockley
Managing Director, NZMF

- Over 25 years of experience in banking and finance, including seven years as General Manager of Auto Finance Direct.
- Responsible for the establishment and implementation of NZMF, which includes pricing, credit policies and responsible lending.
- Built up a vehicle finance business while at Auto Finance Direct, where he oversaw the growth in the finance book from \$12m to circa \$50m.

Important Metrics

NZAI has set a listing price of \$1.30 per share, implying an FY20 EV / EBITDA multiple of 7.7x.

Capitalisation Table

Number of shares on issue at listing	45,554,500
Listing price	\$1.30 per Share
Implied market capitalisation	\$59.2 million
Net cash as at 31 January 2021 ¹	\$6.1 million
Implied enterprise value (excluding lease liabilities under NZ IFRS 16)	\$53.1 million
Lease liabilities under NZ IFRS 16 as at 31 January 2021	\$6.7 million
Implied enterprise value (including lease liabilities under NZ IFRS 16)	\$59.8 million

Key Investment Metrics

	FY20
Pro forma EBITDA	\$8.6m
Pre NZ IFRS 16 Pro forma EBITDA	\$6.9m
Implied EV (including lease liabilities under NZ IFRS 16) / Pro forma EBITDA	6.9x
Implied EV / Pre-NZ IFRS 16 Pro forma EBITDA	7.7x

¹ Comprises cash and cash equivalents. The ASB trade finance facility has been treated as working capital consistent with the industry treatment for automotive retail companies.

NZX Listing Considerations

NZAI has elected a direct listing on the NZX for several reasons.



Provide access to capital to help fund its recently established Vehicle Finance division.



Support the growth of the Company's digital platform model, building market intelligence and thus improving our understanding of the New Zealand driver demographics.



Position the Company to consolidate key geographic markets throughout New Zealand where it does not have a physical presence.



Permit Eugene Williams and David Sena to achieve some liquidity after building the business to its current scale over nearly 10 years of operation.



Increase the profile of NZAI, both domestically and internationally.



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