

FY21 RESULTS PRESENTATION

NZ AUTOMOTIVE INVESTMENTS

**FULL YEAR FINANCIAL RESULTS
TO MARCH 2021**

28 MAY 2021



IMPORTANT NOTICE & DISCLAIMER

This presentation is given on behalf of NZ Automotive Investments Limited (NZAI), (NZX:NZA).

Information in this presentation is for general information purposes only and is not an offer or invitation for subscription or purchase of, or a recommendation to invest in NZAI securities.

The presentation should be read in conjunction with, and is subject to, NZAI's latest set of financial statements for the period ended 31 March 2021, released on the NZX.

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All information presented is current at 31 March 2021, unless otherwise stated. All currency amounts are presented in NZ dollars, unless otherwise stated.

Authorised for release by the Board of Directors.



AGENDA

1. BUSINESS HIGHLIGHTS | DAVID PAGE, CEO

2. FINANCIAL RESULTS | HAYDN MARKS, CFO

3. STRATEGY | DAVID PAGE, CEO

4. OUTLOOK

5. Q&A



1. BUSINESS HIGHLIGHTS



DAVID PAGE
CHIEF EXECUTIVE OFFICER



PERFORMANCE HIGHLIGHTS

NZAI DELIVERS NET PROFIT ABOVE GUIDANCE

\$66.1M

REVENUE & INCOME

▼ down 13.4%

\$3.8M

UNDERLYING NPAT ¹

▼ down 9.6%

\$7.8M

UNDERLYING EBITDA ¹

▼ down 10.7%

5.0_{CPS}

DIVIDEND (CPS)

▲ up 2.7 cps ²

\$6.4M

UNDERLYING NET
OPERATING CASHFLOW ¹

▲ up \$6.5m

11.7%

UNDERLYING EBITDA
MARGIN ¹

▲ up 0.3%

1. Excludes transaction costs to list the Company.

2. Based on number of ordinary shares on issue post share restructure.

NB. Percentage change and other comparatives are based on results from the same period last year.

BUSINESS UPDATES

BOARD & MANAGEMENT APPOINTMENTS

During FY21, NZAI appointed an experienced Board, including independent directors, and vehicle finance expert David Page as CEO, to provide strong governance, lead the company's expansion and drive its growth strategy. See Appendix A for Board and Management profiles.

DIRECT LISTING

NZAI successfully listed on the New Zealand Stock Exchange (NZX), going public via a direct listing on the NZX main board. No new securities were issued in conjunction with the listing.

COVID-19

Like other retail businesses, NZAI's operations and the broader automotive industry were impacted by the lockdowns relating to Covid-19 during FY21.

NZAI could not fully trade for at least 68 days, or 19% of the financial year.

Throughout the year, the company has had to be agile in responding to the disruptions and uncertainty. Nevertheless, the results for FY21 were affected by the lockdowns.

OUTLOOK

Demand remains strong in April. Growing the automotive finance business will continue to be a focus area for growth.

NZAI expects the automotive retail business to re-capture lost revenue associated with Covid-19 disruptions.

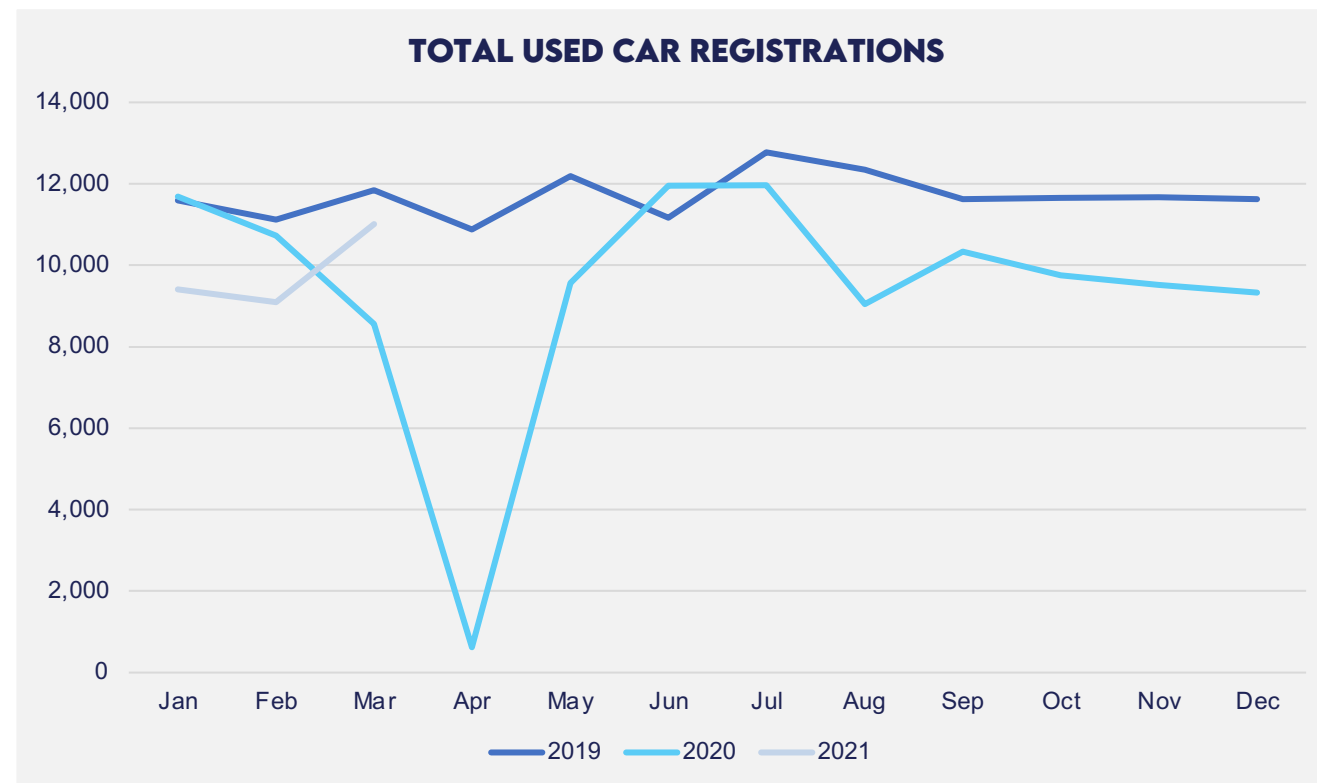
EV/HEV demand will continue to grow, NZAI expects to sell a higher proportion.

USED CAR MARKET: COVID IMPACT

RESILIENT USED CAR MARKET IN FACE OF ONGOING SUPPLY CHAIN CONSTRAINTS

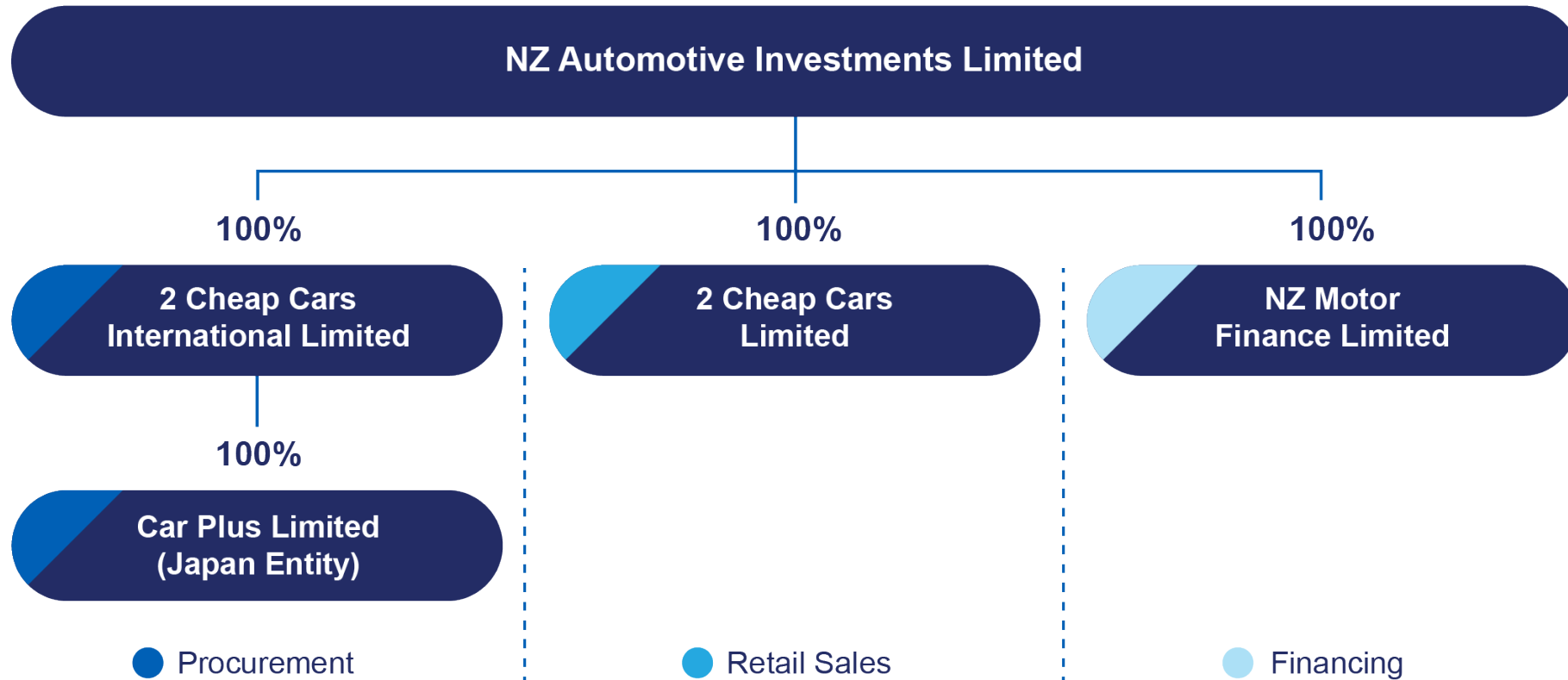
COVID 19

- The 2 Cheap Cars underlying business has held up well and proven to be resilient in the face of Covid-19.
- Used car import market in New Zealand down 18.0% in FY21.
- 2 Cheap Cars revenue down 13.4% at \$65.5m including additional impact of dealership closures during FY20.
- 2 Cheap Cars profit per car up 3.4% with improved margins from increased sales of higher value cars.
- Continued dealership optimisation and supply initiatives expected to deliver future benefits.



Source: NZTA and Autofile.

COMPANY STRUCTURE



UPDATE ON SUBSIDIARIES

AUTOMOTIVE RETAIL (2 CHEAP CARS)

12

Dealerships

8,207

Cars sold in FY21

7.5%³

Est market share of
used car imports

\$1.59k

Average profit per car

EV / HEV FOCUS

NZAI has seen sales of electric and hybrid electric vehicles (EV/HEV) almost double in the last 12 months; 21% of sales were EV/HEV in the last quarter of FY21, up from 8% at the same time in the prior year. From September to January, 2 Cheap Cars averaged over 100 EV/HEV sales per month. The company is well placed to service the growing demand for this type of vehicle. See Appendix B for EV/HEV sales mix growth.

DIGITAL TRANSFORMATION

During the period, 2 Cheap Cars redeveloped its website to integrate with the sales process across the country's car dealerships, and to make it easier for customers to purchase cars online.

READERS DIGEST QUALITY AWARD

2 Cheap Cars is a winner of the Reader's Digest Silver Quality Service Award in the used vehicle dealership category. This award is voted by New Zealanders.

3. Based on used car nationwide import data from Autofile April 2020 to March 2021.

UPDATE ON SUBSIDIARIES

AUTOMOTIVE FINANCE (NZ MOTOR FINANCE)

\$3.8M

Current finance book size

461

Number of loans

30%

Percentage of automotive retailer customers that require finance

4.6%

Percentage of retail car sales NZMF financed

GROWTH IN LOAN BOOK

NZAI's automotive finance subsidiary is relatively new and is intended to be a growth area for future financial performance. NZ Motor Finance (NZMF) grew its loan book approximately 138% in FY21, an increase from \$1.6m to \$3.8m as at 31 March 2021. The number of loans totaled 461.

VERTICAL INTEGRATION

30% of 2 Cheap Cars customers require vehicle finance at point of sale based on FY21. By offering its own car finance to customers buying their vehicles from 2 Cheap Cars, NZ Motor Finance can originate its loans with minimal acquisition and administrative costs.

CREDIT PERFORMANCE

Selective lending to NZ Motor Finance's core audience has continued, and the business has seen 0.11% of loans written off in FY21.

2. FINANCIAL RESULTS



HAYDN MARKS
CHIEF FINANCIAL OFFICER



FY21 RESULTS UPDATE

NZAI DELIVERS FY21 RESULT SLIGHTLY ABOVE GUIDANCE AND DECLARES FULL YEAR DIVIDEND

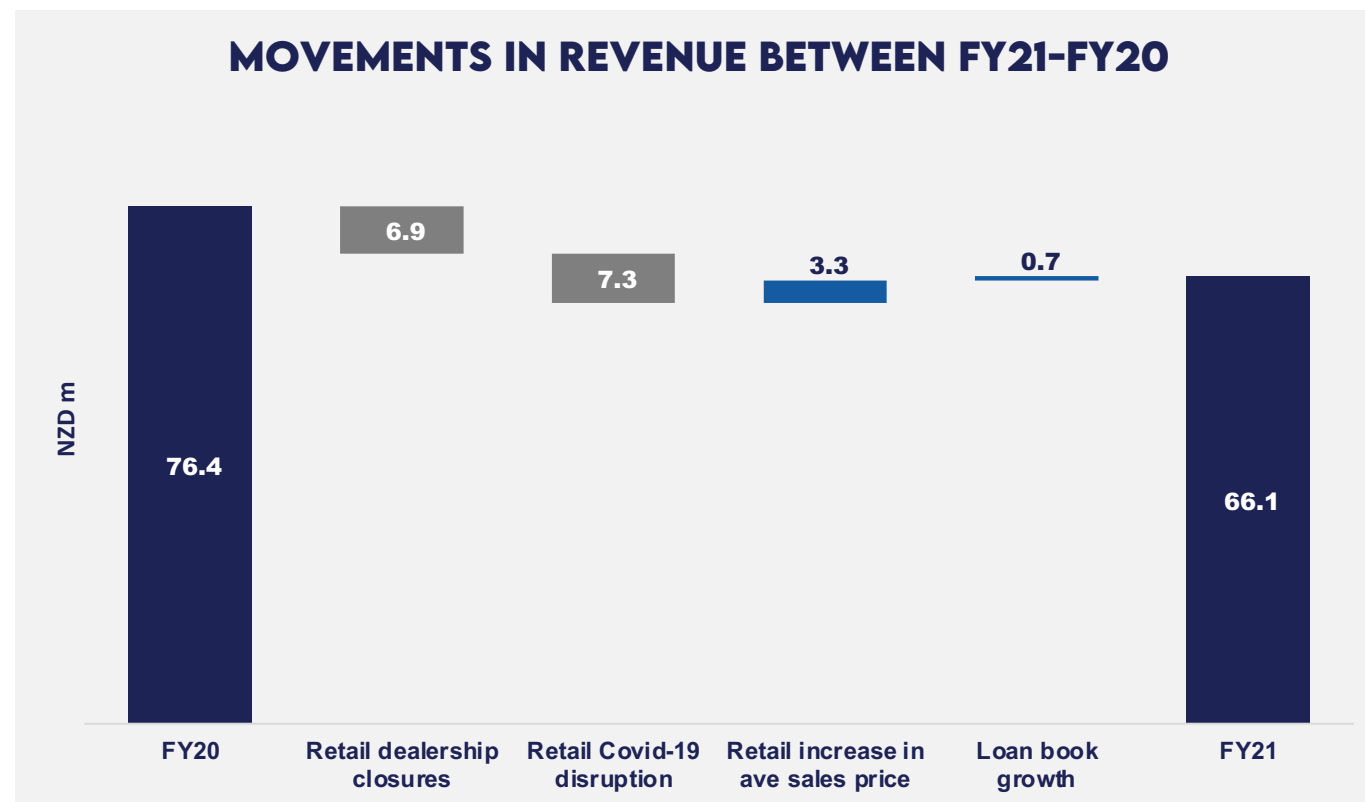
- FY21 total revenues and income of \$66.1m, representing a (13.4%) decline on FY20 due to Covid-19 lockdowns and effect from closing 5 dealerships, mainly in FY20.
- H2 FY21 revenues and income recovered to \$35.5m versus \$37.2m in H2 FY20 on lower sales dealership footprint.
- Loan book grew 138%, to \$3.8m with finance income growing 208% to \$1.0m.
- Largely due to the impacts of Covid-19, underlying EBITDA⁴ including finance income of \$7.8m is down (\$0.9m).
- Decrease in underlying NPAT⁴ to \$3.8m, down (9.6%) on FY20, up \$0.1m on guidance.
- Considerably improved underlying net operating cashflow on FY20, increasing to \$6.4m.
- Underlying earnings per share of 8.4cps.
- Full year dividend declared of 5.0 cps. Based on 27 May-21 market close share price of \$1.07, this represents a gross yield of 6.5%.

4. Excluding transaction costs to list the Company.

FY21 DRIVERS OF FY21 PERFORMANCE

REVENUE AND INCOME WAS RESILIENT THROUGH FY21 COVID-19 PANDEMIC

- NZAI's 2 Cheap Cars retail business was impacted by Covid-19 disruptions.
- The business was not able to fully trade for 19% (68 days) of the year.
- Despite this, revenue & income across the Group of \$66.1m was down (13.4%) against FY20.
- Revenue was impacted by an estimated \$6.9m from the closure of five dealerships - closed largely in FY20.
- Covid-19 impacted the retail business by an estimated \$7.4m in lost revenue (includes offset of wage subsidy of \$0.6m).
- Offset by higher retail priced cars as well as growing the NZMF loan book.



FY21 CASHFLOW

NZAI CLOSES FY21 IN A STRONG CASH POSITION TO PAY FULL YEAR DIVIDEND & FUND WORKING CAPITAL

- Operating cashflow improved to \$5.7m on the back of holding lower inventory levels of FY20.
- Normalised operating cashflow \$6.4m, after adding back one-off costs to list company of \$0.7m.
- Received \$0.6m in Covid-19 relief wage subsidy.
- NZMF lent \$3.6m to customers in FY21.
- Successfully raised net \$3.3m of capital to fund loan book growth.

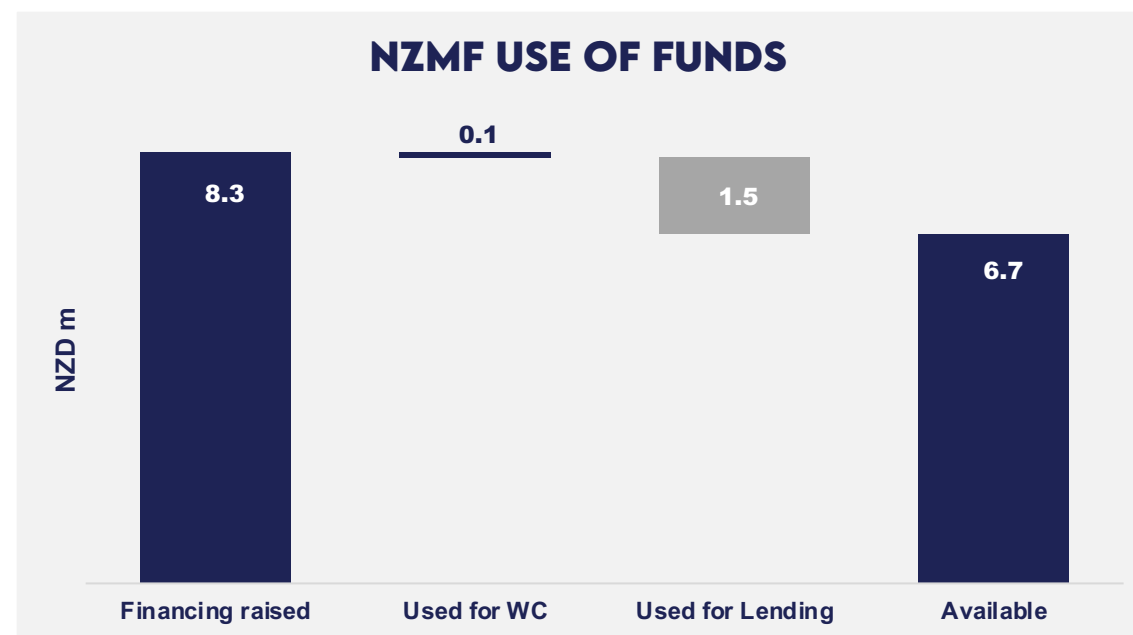
Cash flow summary	FY21	FY20	Change
Net operating cash flow	5.7	(0.1)	5.8
Investing cash flow	(0.2)	(0.6)	0.5
Financing cash flow	1.0	(2.7)	3.7
Net cash flow	6.5	(3.4)	9.9
Cash equivalents	8.3	1.8	6.5

FY21 FINANCIAL POSITION & FUNDING

NZAI IS WELL POSITIONED FINANCIALLY TO CARRY OUT STRATEGY

- Loan book grew to \$3.8m. Low write off rate of 0.11%.
- Inventory turnover increased to 94 days from 81 with some work to do to improve supply processing efficiencies.
- Net capital raised of \$3.3m, together with a debt facility of \$5.0m to provide funding for FY22 loan book growth.
- NZMF has \$6.7m of funding available for new loans as of 31 March 21.
- Renewed 2CC short term trade finance facility of \$8.0m.

Balance sheet summary	FY21	FY20*
Cash equivalents	8.3	1.8
Inventories	11.9	15.2
Loan receivables	3.8	1.6
Other assets	10.5	10.5
Total assets	34.4	29.1
Borrowings	8.4	8.0
Other liabilities	10.4	10.9
Total liabilities	18.8	18.9
Equity	15.6	10.2



*FY20 equity normalised to include shareholder loans of \$20m that were capitalised in FY21

3. STRATEGY



DAVID PAGE
CHIEF EXECUTIVE OFFICER



AREAS OF FOCUS AND INVESTMENT

PURPOSE	HELPING KIWIS AFFORD GREAT CARS				
STRATEGIC PRIORITIES	LEVERAGE SUPPLY CHAIN	GROW VERTICAL INTEGRATION	SIMPLIFY DISTRIBUTION PLATFORM	IMPROVE DIGITAL OFFERING	GROW MARKET SHARE
OBJECTIVES	Leverage the company's vertical integrated supply chain to source higher quality cars at lower prices than competitors.	Grow NZMF's loan book by offering more automotive retail customers finance from NZMF.	Focus and drive dealerships to deliver value. Leverage the understanding of our customer demographics to maximise sales.	Upgrade digital platforms to enable customers to purchase and pay for vehicles online.	Build on the company's current capabilities and focus on high growth markets.
OUTCOME	A STRONGER AND MORE DIVERSIFIED BUSINESS THAT GENERATES STRONG CASH FLOWS TO MAXIMISE DIVIDEND YIELDS.				

4. OUTLOOK



DAVID PAGE
CHIEF EXECUTIVE OFFICER



OUTLOOK

The used automotive industry has proven to be resilient throughout Covid-19, with demand remaining strong for used vehicles across 2 Cheap Cars dealerships in April and May 2021.

Supply of vehicles from Japan remains consistent, we therefore do not expect constraints in FY22.

Forecasted demand for finance continues to be strong, we expect this to grow in the coming year.

- NZAI's long-term strategy is to leverage its retail business to build a diversified automotive services group. NZAI's automotive finance business will continue to be a focus area for growth.
- NZAI remains focused on the digital transformation of the business and its processes, as well as growing and investing in our team, securing relevant partnerships and maximising operational efficiency.
- We also have a long-term strategy when it comes to electric and hybrid vehicles – this will be an area of focus to grow market share, and we will be looking to leverage opportunities with electric and hybrid vehicles over time. 2 Cheap Cars expects to continue to sell a higher proportion of EV/HEV's to meet the growing demand for this type of vehicle.
- The 2 Cheap Cars business is expected to re-capture lost FY21 revenue associated with Covid-19 disruptions.
- The group will look to improve the 2 Cheap Cars vehicle supply processing capacity through making investments to support growth and when the time is right expects to expand the sales dealership footprint.
- NZMF will continue to grow the loan book, both vertically, through 2 Cheap Cars and will also look for other opportunities to grow the book.

5. Q&A



THANK YOU



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APPENDIX



APPENDIX A | BOARD AND MANAGEMENT PROFILES



KARL SMITH

CHAIRMAN

Karl is a professional independent director who has over 40 years' extensive executive and governance experience. His current directorships include Hamilton Jet, FortHill Property Limited (Chair) and VetNZ Limited. Karl previously held directorships in Ports of Auckland, Lyttleton Port Company and the Crusaders Franchise Limited. Prior to becoming a professional director, Karl served as Chief Executive Officer of Gough Group Limited and previously held senior executive positions in PDL Holdings, Progressive Enterprises, Crane Group and Citibank N.A. Karl was appointed as Director and Chairman of NZAI in September 2020. Karl holds a Bachelor of Commerce from the University of Canterbury, is a graduate of the Advanced Management Program at Harvard Business School, is a Fellow of Chartered Accountants Australia and New Zealand and is a chartered member of the Institute of Directors.



EUGENE WILLIAMS

EXECUTIVE DIRECTOR, CO-FOUNDER

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.



DAVID (YUSUKE) SENA

EXECUTIVE DIRECTOR, CO-FOUNDER

David founded 2CC in 2011 with Eugene Williams. He is responsible for all procurement and supply chain aspects of the Company including compliance, re-conditioning, and logistics. David was born in Japan and has been influential in developing and maintaining relationships with vehicle suppliers. He has been a Director of NZAI since its inception.

APPENDIX A | BOARD AND MANAGEMENT PROFILES



TRACY ROWSELL

DIRECTOR

Tracy is an advisory partner at BDO Auckland, with more than 20 years of experience in providing business advisory and taxation services to a wide array of local and overseas clients. She has provided advice to 2CC since 2012 and has a close understanding and knowledge of the business. Tracy has been a Director of NZAI since December 2020.



CHARLES BOLT

INDEPENDENT DIRECTOR

Charles has a background in corporate law and as a senior executive in a major listed company. Beginning his career in capital markets regulation with the NZX, he then worked for New Zealand law firm Bell Gully before joining Fletcher Building where he most recently held the role of Group General Counsel and Company Secretary until 2019. He is currently General Counsel for TIL Logistics Group Limited. Charles holds an LLB from Victoria University and has completed the Senior Executive Programme at Columbia University, New York. Charles has been a Director of NZAI since December 2020.



MICHELE KERNAHAN

INDEPENDENT DIRECTOR

Michele is the Chief Executive Officer of New Zealand's largest temperature-controlled transport and logistics business, Hall's Group. Prior to joining Hall's Group in 2019 she held various Executive roles at Fletcher Building over 21 years, including as Chief Executive of the Building Products division. She holds a Master of Business Administration and Bachelor of Arts from the University of Canterbury and has completed the Advanced Management Programme at Harvard Business School and other Executive programmes at Wharton Business School, Stanford School of Business and Melbourne Business School. Michele has been a Director of NZAI since February 2021.

APPENDIX A | BOARD AND MANAGEMENT PROFILES



DAVID PAGE

CEO

David has worked across a diverse range of industries, holding a range of large-scale general management roles and corporate governance responsibilities. David has over 25 years' asset finance and banking experience, which includes a comprehensive knowledge of consumer, motor vehicle and commercial asset finance. David 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. David joined NZAI as CEO in December 2020.

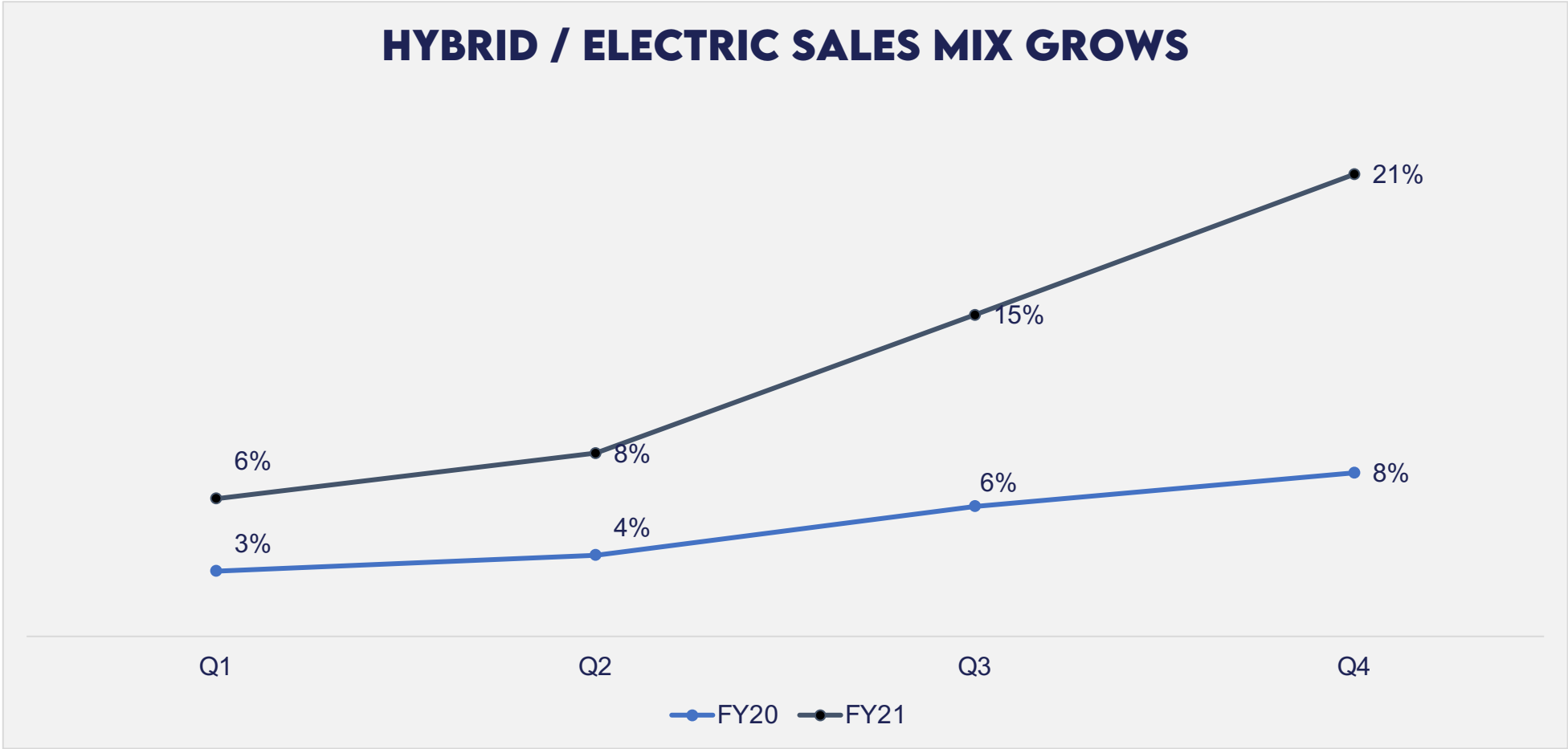


HAYDN MARKS

CFO

Haydn has over 20 years of financial management and leadership experience across financial services and technology sectors, including most recently 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. After starting his career in advisory services in New Zealand, Haydn spent 10 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. Haydn is a member of Chartered Accountants Australia and New Zealand and holds a Bachelor of Business from Massey University. Haydn joined the NZAI Group in November 2020.

APPENDIX B | EV/HEV SALES MIX GROWS TO 21% OF TOTAL SALES



Source: NZAI



APPENDIX C | FY21 PERFORMANCE

NZAI ACHIEVED 11.7% UNDERLYING EBITDA MARGIN AFTER RESPONDING TO COVID-19 DISRUPTIONS

	FY21	FY20	Change
Revenue and income	65.4	76.3	(14.3%)
Sundry income	0.8	0.1	1208.8%
Total revenue and income	66.1	76.4	(13.4%)
Operating expenses	58.4	67.7	(13.8%)
Underlying EBITDA inc finance income	7.8	8.7	(10.7%)
<i>Underlying EBITDA Margin</i>	<i>11.7%</i>	<i>11.4%</i>	<i>0.4%</i>
Cost to list company	0.7	-	
EBITDA inc. finance income	7.1	8.7	(18.7%)
D&A	2.0	2.0	(2.8%)
EBIT	5.1	6.7	(23.5%)
Interest expense	0.4	0.5	(13.8%)
NPBT	4.7	6.2	(24.3%)
Tax	1.5	2.0	(23.9%)
NPAT	3.2	4.2	(24.4%)
Underlying NPAT	3.8	4.2	(9.6%)
<i>Underlying NPAT Margin</i>	<i>5.8%</i>	<i>5.5%</i>	<i>0.2%</i>