

# Turners Auctions Limited Full Year Results Briefing February 23 2007

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# Agenda

- NZ Market Overview
- Highlights
- Challenges
- Operational Highlights Auctions, Fleet, Finance
- 2006 Financial Results
- 2007 Key Dates
- Future Outlook

# New Zealand Market Overview

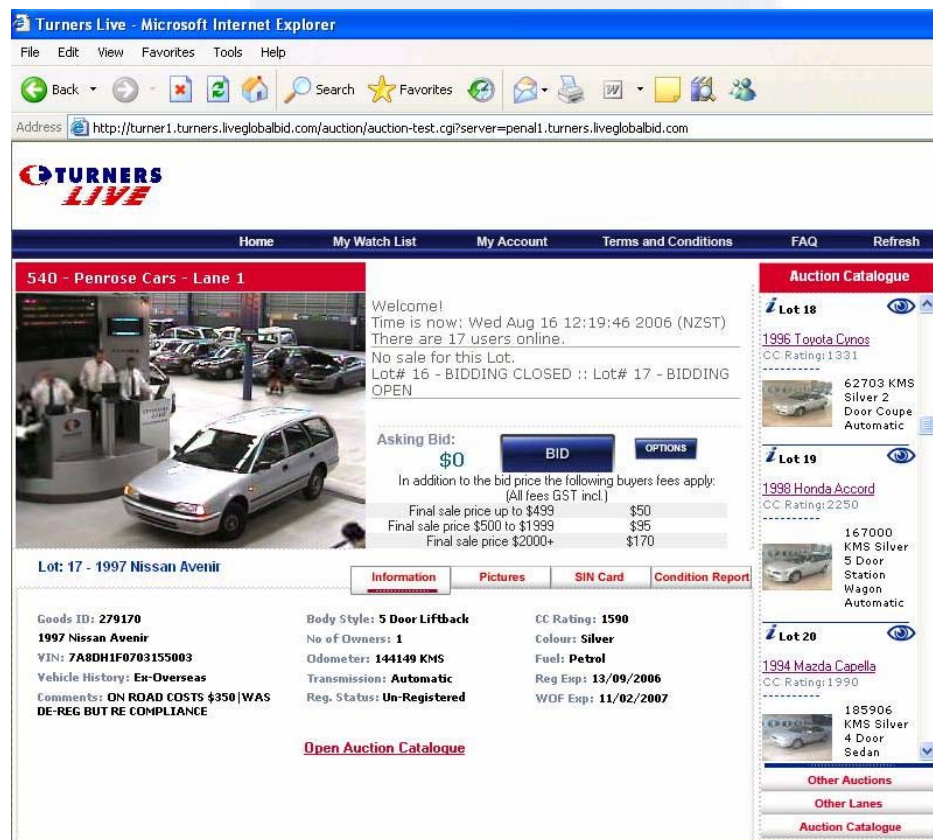
- The lowest levels of used imported vehicles being bought and sold for over 5 years.
  - New Registration of Ex Overseas Vehicles 1<sup>st</sup> half down 13%, 2nd half down 26% v 2005.
- Intensifying global competition for used export vehicles in Japan
- Timing issue causing a temporary reduction in Lease company vehicle returns through their customers extending the length of their current lease arrangements.
- Tight consumer finance has hit dealer customers hard with Dealer to Public Sales down 4.27% in 2006 v 2005.

# Highlights

- Roll out and adoption of Turners Live
- New valuation services to customers
- Increase in online community
- Retention of key customers – GSB and IAG
- Commercial and Industrial result
- Supply chain efficiencies
- Exit of North American Interests

# Rollout and Adoption of Turners Live

- Launched in May 2006
- All car auctions in NZ streamed online via Turners Live
- Sold 9% of vehicles online in 2006
- 20% of cars sold had internet bidder as top under bidder
- 1400 active dealer users of Turners Live
- 16% of total cars auctioned receive Internet bids



# New Valuation Services to Customers

- Addressing genuine customer need – how much is this car worth
- Use real sales data from auctions
- 86,000 price checks done in 8 weeks
- 80% of customers using service have not used Turners before
- Delivered 20% increase in unit sales over campaign period.

Turners True Market Challenge - Price Check - Windows Internet Explorer

http://www.turnerschallenge.co.nz/

TURNERS AUCTIONS  
www.turners.co.nz

**TRUE MARKET CHALLENGE**

Following are the results of your **Turners True Market Challenge**. Click on 'Reg. Year' or 'View' to see a list of recent sales for that period.

All prices inclusive of GST, on-road costs and Turners Protection Plan.

The following prices are from actual car purchases made at Turners Car Auctions between June 2005 and November 2006 inclusive. Prices are being provided as a guide only. They are not a definitive valuation or pricing tool. See [Terms of Use](#) for more information.

**Summary of auction sale prices for: HOLDEN COMMODORE**

Make	Model	Reg. Year	Price Range	Cars Sold
HOLDEN	COMMODORE	2005-2006	\$18,470.00-\$39,370.00	16 <a href="#">View</a>
HOLDEN	COMMODORE	2003-2004	\$8,870.00-\$49,100.00	235 <a href="#">View</a>
HOLDEN	COMMODORE	2001-2002	\$2,250.00-\$46,150.00	559 <a href="#">View</a>

TURNERS CERTIFIED  
Trust in our comprehensive inspection service. [more](#)

TURNERS FINANCE  
With pre-approved finance, you can bid with confidence. [more](#)

THINKING OF SELLING?

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used commodore Search Advanced Search Preferences

Search: the web pages from New Zealand

Web Results 1 - 10 of about 39,600 for [used commodore](#)

[Buying a Used Commodore?](#) Sponsored Links  
turnerschallenge.co.nz/Commodore Don't Pay Too Much! Buy Smarter. Check The Real Price & Save

Sponsored Links  
New Commodore -

# Increase in Online Community

- Grown unique visitors by over 100% for FY06
- Have moved to industry standard measurement system – NetRatings
- Expect to overtake number 2 automotive website.
- Redesign of website planned for 1st half of FY07.

## Nielsen NetRatings Market Intelligence Ranking Report

### Automotive

		Dec-06	Jan-07
1	trademe.co.nz/motors	852,155	953,163
2	autotrader.co.nz	78,621	98,903
3	turners.co.nz	51,303	61,190
4	turnerschallenge.co.nz	21,243	27,347
5	aa.co.nz/motoring	21,177	26,012
6	autobase.co.nz	21,175	23,401
7	motorcycletrader.co.nz	19,195	21,489
8	nzherald.co.nz/motoring	14,883	15,904
9	honda.co.nz	13,920	12,657
10	stuff.co.nz/motoring	12,497	11,664
11	car.co.nz	9,410	10,719

# Retention of key customers...

- New 3 year agreement with GSB Supplycorp
  - Secures key supply for re-marketing of government vehicles (1850 vehicles in FY06) with 20% growth over FY05.
  - Future growth expected with review of government fleet and dedicated sales resource.
- New 2 year agreement with IAG
  - Secures re-marketing of all damaged vehicles on behalf of IAG.
  - This covers key IAG Brands NZI and State Insurance...
  - Largest supplier to Damaged Vehicle auctions





# Commercial and Industrial Result...

- Improved profitability FY06 with profit up \$0.4M
- Driven by growth in “onsite customer sales” and receivership sales
  - Te Puke AutoBarn
  - Onsite Truck Auction (Eastern Equities)
  - Provincial and Western Bay Finance

# Supply Chain Improvements

- New shipping contracts for Turners Fleet
- Centralised Fleet buying for Auckland and Christchurch
- Rationalised number of agents in Japan

# North America Exit

- Successful sale of AAA Canada and Ehli Auctions
- Eliminates significant ongoing investment in cash and management resources
- Turners exit by way of share sales
  - AAA we sold our shares for CA\$100,000
  - Ehli we sold our shares for US\$150,000

# Challenges

- The loss of a major supplier to auctions
- Finalising the exit of North American investments
- Turners Fleet margins
- Auction unit sales down 10%
- Stronger credit criteria applied in response to other Finance company failures

# Declining sales – Auctions

- Auction Sales 71,300 units
  - Sales down 8,000 units or 10.2% on prior year
  - Half of this decline attributable to one customer
  - Average commission down 2.7% - change in commission mix with 7% more damaged vehicles sold year on year

# Operational Highlights – Fleet

- Fleet unit sales 4,906 units
  - Unit sales down 10%
  - Commissions paid to Auctions \$1.4m up 1% from pcp
  - Market conditions very trying during the year – NZ dealers facing worst 7 month period since 1997
  - Average sale price \$6,845
    - ❖ Up 4% or \$273 per unit on pcp
    - ❖ Certified average sales price \$9,202 but supply issues meant that these sales only accounted for 6% of total Fleet sales
  - Average gross margin down 10%
    - ❖ Market had “stalled” as importers waited for margins to recover
    - ❖ Japan to NZ overall shipping volumes down over 20%
    - ❖ Only strongest importers with lowest cost supply chain will survive

# December 2006 Financial Highlights

- Group Summary
- Comparison with prior year result
- Segment analysis
- Turners Finance
- Balance Sheet & Cashflows

# Group Summary Results

Key Performance Indicators 12 months to 31 December	2006 [\$m]	2005 [\$m]	%
Operating Revenue	\$74.3	\$79.5	-7 %
Operating Expenses	\$69.2	\$71.8	-4 %
EBITDA	\$6.5	\$9.1	-29 %
Depreciation	\$2.9	\$2.7	10 %
EBIT	\$3.5	\$6.4	-45%
Net Surplus <small>[NPAT]</small>	\$3.2	\$5.0	-37%
EPS (cents)	11.6	18.3	-37%
Net Dividend cps	11.5	14.0	-18%



# Comparison Prior Period Results

- Operating revenue down \$5.2m or 6.5% on pcp.

■ Additional Smart Auto Centre revenues	\$0.6m
■ Finance additional interest received	\$0.4m
■ Auctions revenues	-\$3.7m
■ Fleet revenues	-\$2.3m
■ North American income	-\$0.2m

**TOTAL**

**-\$5.2M**

# Comparison Prior Period Results

- Operating expenses down \$2.6m or 4% on pcp.

■ Increased depreciation	\$0.2m
■ Increased Smart Auto Centre costs	\$0.6m
■ Increased overheads in Turners Finance	\$0.4m
■ Increased interest expense - Finance	\$0.2m
■ Reduced costs in Fleet	-\$1.8m
■ North American expenditure	-\$0.8m
■ Reduced costs in Auctions	-\$0.9m
■ Other Cost reductions (TNR Aust, UK)	-\$0.5m

**TOTAL**

**-\$2.6 M**

# Comparison Prior Period Results

- **EBIT down \$2.9m or -45% on pcp.**

- Revenues down -\$5.1m
- Operating Expenses down \$2.6m
- Less Net interest -\$0.4m

**TOTAL**

**-\$2.9M**

# Comparison Prior Period Results

- **Net Surplus down \$1.8m or -37% on pcp.**

- EBIT down - \$2.9m
- Tax down +\$1.1m
- Net Interest up +\$0.4m
- Minority interest down - \$0.4m

**TOTAL**

**- \$1.8 M**

# Group Segmental Analysis

Results 12 months to 31 December [* net of intersegment revenues & earnings]	2006 Operating Revenue* [\$m]	2005 Operating Revenue* [\$m]	%	2006 Earnings* [before tax] [\$m]	2005 Earnings* [before tax] [\$m]	%
<b>Turners Auctions</b>	\$31.3	\$35.0	-11%	\$6.4	\$9.9	-35%
<b>Turners Fleet</b>	\$34.1	\$36.4	-6%	\$0.3	\$0.6	-47%
<b>Turners Finance</b>	\$2.7	\$2.3	18%	\$0.4	\$0.6	-28%
<b>Turners Smart AC</b>	\$1.2	\$0.6	103%	-\$0.3	-\$0.3	1%
<b>North America</b>	\$3.6	\$3.8	-5%	-\$0.7	-\$1.4	-49%
<b>Other [SGS, TNR, Motex]</b>	\$2.8	\$3.4	-18%	-\$0.3	-\$0.3	-8%
<b>Unallocated &amp; Intersegment</b>	-\$1.4	-\$2.0	-30%	-\$0.7	-\$1.4	-49%
<b>TOTAL</b>	\$74.3	\$79.5	-7%	\$5.1	\$7.7	-33%

# Financial Highlights – Turners Finance

Key Performance Indicators 31 December	2006	2005
Number of contracts	1,362	1,543
Average Loan value	\$7,345	\$7,384
Conversion Rate	7.6%	7.2%
Gross finance sales	\$12.3m	\$14.1m
Finance Ledger	\$11.0m	\$10.7m
Net Interest Earned	\$0.9m	\$0.7m
Origination Fees paid to TAL	\$271,000	\$312,000
Turners Finance Profit	\$408,000	\$568,000
Average Interest Rate	14.6%	14.4%

# 31 Dec 2006 Simplified Balance Sheet

	Dec 2006 NZ\$m	Dec 2005 NZ\$m	Diff:
<u>Assets</u>			
Cash	5.7	7.3	-1.6
Receivables	5.0	6.4	-1.4
Inventory	9.4	7.7	1.7
Finance Receivables	10.9	10.6	0.3
Fixed Assets	9.3	10.1	-0.8
Deferred Tax / Other	<u>0.1</u>	<u>0.4</u>	<u>-0.3</u>
Total Assets	<u>40.4</u>	<u>42.5</u>	<u>-2.1</u>
<u>Liabilities</u>			
Accounts Payable	7.6	9.3	-1.7
Finance Borrowings	11.0	10.7	0.3
Other	<u>0.0</u>	<u>0.0</u>	<u>-0.0</u>
Total Liabilities	18.6	20.0	-1.4
<u>Equity</u>			
Equity after Minority Interest	<u>21.8</u>	<u>22.5</u>	<u>-0.7</u>
Total Liabilities & Equity	<u>40.4</u>	<u>42.5</u>	<u>-2.1</u>

# 2006 Cashflows

	2006 <u>NZ\$m</u>	2005 <u>NZ\$m</u>
<u>Cash from Operations</u>		
Net Inflows	<u>4.5</u>	<u>8.4</u>
<u>Cash from Investing Activities</u>		
Fixed Assets purchased	-2.7	-2.2
Other	<u>0.4</u>	<u>-0.1</u>
Net Outflow	-2.3	-2.3
<u>Cash from Financing Activities</u>		
Other	0.0	0.4
Dividend paid	<u>-3.8</u>	<u>-4.9</u>
Net Outflow	<u>-3.8</u>	<u>-4.5</u>
Net Increase / [Decrease]	<u>-1.6</u>	<u>1.6</u>



# 2007 Key Dates

- 31 Dec 2006 Balance Date
- 23 Feb 2007 Full year Results
- 13 April 2007 Dividend Record Date
- 20 April 2007 Final Dividend Paid
- 10 May 2007 Annual Meeting
- 30 June 2007 Financial Half Year
- Mid August 2007 Half Year Result

# Future Outlook

- Further uptake of "Turners Live" making all auctions accessible and building the bidder community.
- Extension of valuation and information services like the Turners True Market Challenge and ongoing web development.
- Sales will increase with the implementation of 2nd tier finance option (non recourse) for customers who don't meet Turners Finance criteria.
- New 3 year agreement with GSB Supply Corp which will increase the supply of ex Govt vehicles to Turners Auctions.