



Shareholder News

March 2018

We are pleased to present the first of our Shareholder Newsletters. We believe it is important to keep our shareholders informed and updated on our company. Therefore, in addition to our annual and interim shareholder reports, we will also be sending out two Shareholder Newsletters each year. These will contain news of interest from each of our businesses, introduce you to some of the people in our teams and provide an overview of the market and our performance.



CEO UPDATE

Dear Shareholder

We are now into the last quarter of our financial year which ends on 31 March 2018. The group continues to track well with vehicle sales picking up again since the quiet patch we saw during the election.

We have been seeing strong attach rates for finance within Turners and Buy Right Cars. This is when a customer buys a car and also takes up our finance (or insurance) offers. Insurance premiums are also performing well.

A major focus for us this financial year has been the consolidation of our finance brands into a single entity, under the Oxford Finance brand. The rebranding is now complete and we are working on moving the finance businesses onto a single technology platform. We are doing the same with our insurance businesses, which will operate under the Autosure brand.

To help fund the growth of our finance book we have been diversifying our funding and now utilise bank funding, bonds and equity. We are looking to extend the securitisation we put in place last year to \$250 million and are close to finalising a new banking syndication.

The stink bug has been high on the news agenda – luckily, Turners has had minimal impact from the cargo ships being turned away from Auckland's ports. You can read more about this on the next page.

We were pleased to renew our commercial agreement with Suncorp, for a five year term, to manage the logistics and sale of damaged vehicles that have been written off by Suncorp's general insurance brands (Vero, AA Insurance and AMP). We have had a long standing partnership with

Suncorp – they underwrite the insurance for a number of our brands, and in fact, we bought the Autosure insurance business off them in late 2016 which gave us the scale we needed in the sector.

There is a lot of work going into our property initiatives including refits and new property developments. When looking at new sites, for both our Cars and our Trucks & Machinery businesses, we consider a number of factors that determine whether we acquire the site, lease it or buy and then sell with a lease back arrangement. This allows us to secure strategic locations and develop the site to suit our needs.

Last year, we identified a new opportunity to provide service, repairs and maintenance for vehicle owners. We are working through options for this and are getting close to being able to announce a partnership with a large group of repairers. This will increase our relevance to customers and improve our value proposition.

Aaron Saunders, Turners CFO, and I have also been busy talking to investors and shareholders, both in New Zealand and Australia. You can view all our results and investor presentations on our [website](#).

The business continues to pay quarterly dividends in line with our dividend policy of 50% to 55% of underlying earnings. Based on recent share price performance, this makes Turners Automotive Group a very good yield stock and extremely good value based on our earnings track record and recent analysts' valuations of well over \$3.70 per share.

I hope you find this newsletter of interest and welcome your feedback.

Todd Hunter
Chief Executive Officer
Turners Automotive Group

AUTOMOTIVE RETAIL

MINIMAL IMPACT FROM STINK BUG



The brown marmorated stink bug has been found on a number of ships heading into New Zealand. This could have a devastating effect on local agriculture and horticulture and, in recent weeks, the Ministry of Primary Industries has turned away several ships carrying car imports.

This has had minimal impact on Turners as our diversified supply chain means we can still meet customer demand. While we had a small number of vehicles on the affected ships, the majority of our supply is in the New Zealand market, from Kiwis buying and selling second hand vehicles; and we have also landed imported vehicles off other ships.

In fact, conversely, we are benefitting in the short term as our wholesale auction channel provides an alternative supply option for dealers; and customers are also turning to larger retailers, such as Turners and Buy Right Cars, as their first point of call as they trust them to have a large supply of stock available.

Getting an effective solution on the supplier side has to be a critical part of the solution. Pleasingly, many of our Japanese suppliers have already started taking preventative actions to ensure stock is fumigated and bug free before being loaded onto ships.

CONTAINERS AS OFFICES

One of the interesting things we are doing is looking at innovative solutions for building offices on some of our retail sites.

Containers are a smart looking, cost effective and practical solution.

They can easily be built offsite, installed and then if needed, simply moved to alternative sites. They create a modern look and can be stacked to produce a highly visible billboard. The concept pictured has been developed for our Buckle St site in Wellington and should be in place some time in May.



TURNER'S GROWING NATIONAL FOOTPRINT

Having a strong presence in key areas is a strategic advantage for our businesses. We now have a nationwide network of 11 Turners Cars and eight Buy Right Cars automotive retail sites, plus five stand alone Trucks & Machinery yards.

Recently, we have opened a new Buy Right Cars site in Lambie Drive, Manukau to replace our Papatoetoe branch; and a new Buy Right Cars site in Penrose, Auckland.

In the Turners Cars business, we have taken on a new retail site on Buckle St in Wellington; almost finished development of a new processing facility in Porirua; are busy refitting and extending our Napier branch; and have purchased a replacement site for our branch in Whangarei.

Trucks & Machinery also remains a focus and in the last year we have acquired three new sites for our Trucks & Machinery business – the site in Wiri in Auckland replaces an existing property, and we have developed new sites in Hamilton and Palmerston North. These are all now up and running.



OPPORTUNITY IN END OF LIFE VEHICLES FOR TURNERS

Turners has signed a five-year agreement with Suncorp New Zealand to manage the logistics and sale of damaged vehicles that have been written off by Suncorp's general insurance brands. Over 156,000 vehicles were either written off or removed from the road in New Zealand in the past year, and the number of vehicles from 1995 to 1999 now being scrapped is accelerating.

Almost 30% of New Zealand's 3.7 million light vehicle fleet is 20 years old or more, and older cars are now being replaced at a rapid rate. The growing 'End of Life' market is a significant opportunity for Turners to sell older or damaged cars at the end of their life, and to also sell the newer used vehicles that are replacing them.

Suncorp New Zealand has a large percentage of the End of Life (EOL) market, through vehicles written off by Vero, AMP, ANZ and AA Insurance, a joint venture between Vero and the New Zealand Automobile Association.

Turners has had a long-standing partnership with Suncorp, which underwrites a number of Turners' branded private motor vehicle insurance products through its intermediated general insurance provider, Vero.

Selling written-off vehicles through efficient partnership enables Turners to better control costs and also ensures the

re-use of parts which are safely reusable, and the recycling of as many components of the damaged car as possible.

Damaged vehicles are sold at specialised Turners auctions every week and through TradeMe. Many are sold to Automotive Recyclers or are exported overseas for scrap metal.

Turners has over 20 damaged vehicle consultants spread throughout the country and three dedicated damaged vehicle branches in Auckland, Wellington and Christchurch. Vehicles can either be sold from where they are located, anywhere in the country, or transported to one of 25 storage networks around the country including Turners' own sites.

In addition to commercial arrangements, such as that with Suncorp, Turners also sells EO and damaged vehicles on behalf of private customers and is now extending its Cash Now offer to these customers.

CEO of the Automotive Retail Division Greg Hedgepeth commented "We are extremely pleased to continue our relationship with Suncorp and feel confident that this arrangement will give us the ability to further optimise our business with them. The EOL and damaged vehicle division is a growing opportunity for Turners, and we are seeing good growth both here along with the rest of our business."

"We're very pleased to continue to strengthen our partnership with Turners with this long-term deal to manage written off vehicles."

Jimmy Higgins
Executive General Manager
of Claims at Suncorp
New Zealand



FINANCE AND INSURANCE

ONE BRAND, ONE BUSINESS

As Turners has grown, we have acquired a number of different brands and businesses.

We are now well down the track of combining them into a single finance brand – Oxford Finance – and a single insurance brand, Autosure.

The new Oxford branding has been unveiled and staff are excited about the opportunities to grow this business, building on the success of the MTF non-recourse product last year and other initiatives.

There is a lot of work going into consolidating our systems, and this work should be completed by the middle of the year. Autosure staff are now working from the same space after moving into new offices on the North Shore in Auckland; while Oxford Finance continues to operate from offices in Auckland's CBD, Levin and Christchurch.



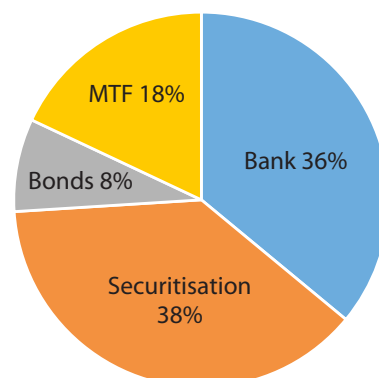
FINANCE BOOK FUNDING

Turners primarily funds its finance borrowings through an asset backed securitisation warehouse facilitated through the BNZ. This is a funding facility where a group of homogenous loans (in this case, vehicle loans) are pooled together creating a financial security, a process called securitisation. The benefit it gives Turners is a much more efficient use of capital, better interest rates and higher limits for lending.

Currently Turners has a \$160m limit on the securitisation warehouse, which we are currently in a process to extend to \$250m.

As part of our funding strategy we are also in the process of moving to a syndication of banks to support the business. We should have both the securitisation warehouse limit extension and the banking syndication finalised early in the new financial year.

FY17 BORROWINGS BY SOURCE



AUTOSURE ROLLS OUT NEW INSURANCE PRODUCTS

One of the things we pride ourselves on at Turners, is the ability to be agile, flexible and innovative. In recent months, Autosure has launched three new/upgraded products:

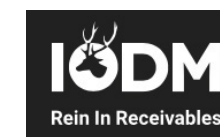
- Payment Protection Insurance (PPI)
- Guaranteed Asset Protection (GAP)
- Electric Vehicle Mechanical and Breakdown Policy

Electric vehicles are starting to grow in popularity (approximately 7,000 registered EVs in New Zealand), and it is important all our businesses are adapting and reacting to the changing dynamics of the market.

Details on each of these products are available at www.autosure.co.nz.

DEBT MANAGEMENT

NEW PARTNERSHIP POTENTIAL GAME CHANGER FOR EC CREDIT CONTROL



EC Credit Control (ECCC) is our debt management business, operating across Australia and New Zealand. ECCC has established a

partnership with software as a service company [IODM](http://www.iodm.com.au), an Australian-based online automated accounts receivable solution provider. ECCC will sell IODM products and act as their debt collection partner. IODM's AIMS product (Automated Invoice Management System) allows businesses to send out invoices and reminders by SMS, email or letter; and integrates with all cloud based accounting packages. At the end of the reminder period, a file of outstanding debts can be sent automatically to ECCC for the collections cycle to begin. Find out more about AIMS at www.eccreditcontrol.co.nz.

This should see more and fresher debts for ECCC, and ECCC will also receive a share of the monthly subscription revenue generated from the sale of the AIMS product.

IODM has also been working with corporate clients in Australia to have ECCC as their collection agency, which should lead to an increase in the corporate client base in 2018.

No other collection agency has a similar combined product or offer in the marketplace and the partnership with IODM has great potential.

DIALLING UP THE NUMBERS

Smart dialling software is creating significant value for ECCC, with up to three times the number of calls being made on a daily basis.

Previously, staff would have to dial a number, wait for it to connect, then wait for the other party to answer (or more likely, go to voice mail). Over the course of a day, this all adds up.

Now the Dialler technology does all the calling in the background and only hands the call to the staff member when there is a live person on the line. In one of its first months, and with only nine agents, a whopping 42,000 calls were made, resulting in 8,000 connects and 1,200 promises to pay. This is three times the number that would have been achieved prior to the Dialler.



MEET THE TEAM

INTRODUCING GREG HEDGEPEETH

Greg Hedgepeth joined Turners Automotive Group as CEO of the Automotive Retail Division in August 2017.

He's an experienced automotive executive and previously held senior roles with BMW Group NZ and Armstrong Motor Group, one of NZ's largest private owned retail automotive networks.

Greg's vision for the Automotive Retail group revolves around three key principles - People, Retail Sites and Brand. Along with the Turners senior leadership team, he has developed a five year strategic roadmap for the business. As part of this, plans are being developed to further capitalise on the synergies within the wider Turners Group, to better leverage the scale and expertise in the most effective way possible, delivering a 'one stop shop' solution for customers.

An indepth nationwide research project has also been implemented to better understand how Kiwis buy used cars and their views on the brands operating in the market.

Greg believes every Kiwi should have the opportunity to drive around this great country of ours, and be able to confidently rely on Turners to buy a great value vehicle. So he is overseeing the expansion of Turners' retail network to ensure "there's a Turners near where our customers live".

Outside of work, Greg is a self-confessed petrol head who is also a sports fanatic, whether its watching or participating. He's always up for trying new things, and thoroughly enjoys having a good laugh with friends, family, and colleagues.

INDUSTRY TRENDS & INSIGHTS

As the largest used vehicle retailer in New Zealand, Turners has recently undertaken a large scale research project to better understand market dynamics, buyer behaviour and brand perception.

DELIVERING A TRUSTED CUSTOMER EXPERIENCE

The results show that a vehicle purchase, whether its new or second hand, is a big decision for consumers, with many feeling overwhelmed and anxious throughout the decision making process, which can take up to six weeks. Turners is well positioned to leverage its heritage and strong brand trust to provide a preferred retail experience.

NUMBER ONE FOR BRAND AWARENESS

Turners has the highest brand awareness of all used vehicle retail brands in New Zealand, at 90% awareness compared to 22% for the average used car dealer.

MOST TRUSTED

Turners is also the most trusted brand, with 45% trustworthiness compared to 2% for the average used car dealer. This is built on more than 50 years' of providing New Zealanders with great second hand cars, its presence across the country and its Kiwi heritage.

KEEP IT AFFORDABLE

Cars valued at \$30,000 and over make up only 4% of the used car market, and it is clear that the biggest market opportunity is in the more affordable end of the market, an area where Turners has an established presence and market share.



INDUSTRY TRENDS

The used vehicle market is growing and there were over 1.1 million transactions in New Zealand in 2017, one of the highest years on record.

CHANGING CONSUMER BUYING BEHAVIOUR

Consumers are becoming more tech-savvy and informed due to the abundance of information online. There is an increased willingness to buy online with the proviso that sufficient information is available to truly evaluate the vehicle.

THE ROLE OF THE DEALER IS CHANGING

With the abundance of information online, dealers now need to be as or more informed than the consumer. They need to have the ability to offer the complete package from sales to finance and insurance and have to devise ways to make quick, convenient sales.



SUPPORTING OUR COMMUNITIES

TURNERS IS INVOLVED IN COMMUNITIES ACROSS NEW ZEALAND AND SUPPORTS A NUMBER OF DIFFERENT CHARITIES AND INITIATIVES.

PROVIDING CHRISTMAS CHEER IN AUCKLAND

Tamaki Primary School in Auckland is a decile one school and Christmas can be a hard time for many families. For the fourth year in a row, Oxford Finance National Sales and Marketing Manager, Shannon Beech, organised staff from within Turners Automotive Group to donate presents for the students, providing 'a little bit of Christmas magic' for each child.

Scooters, skateboards, Nerf guns and shoes were top of the wish list for many younger children and Santa certainly didn't disappoint. Older kids didn't miss out either, with a huge number of sports balls donated to the day.

To top it off, the team from Flava Radio added an extra bit of joy and tunes to the day.



"The smiles on these children's faces are the true meaning of Christmas and the greatest reward."

Shannon Beech
Oxford Finance

GO BABY GO

A recent finance company fundraiser, themed around the Lions Rugby Tour, saw \$3,500 raised for Go Baby Go.

This is an initiative started by a paediatric professor in the USA to create freedom and autonomy for children who have mobility issues but are too young to use an electric wheelchair. Now they can keep up with their peers and older siblings behind the wheel of a battery powered toy car.

The fundraiser allows for two more cars to be added to the fleet and issued to children in need.

Find out more at www.gobabygo.org.nz.



From left: Dion Jones - Group General Manager, Oxford Finance, Robyn Pescini - National Operations Manager, Oxford Finance, Mark Prujean - Go Baby Go.

ABOUT TURNERS AUTOMOTIVE GROUP

AN INTEGRATED AUTOMOTIVE FINANCIAL SERVICES GROUP

Helping retail and wholesale customers in three key areas:



AUTOMOTIVE RETAIL

Controlling the buying and selling of second hand cars, trucks and machinery to earn a transactional margin and delivering cross-sell opportunities for Finance and Insurance

Turners is the largest second hand vehicle retailer in New Zealand



FINANCE AND INSURANCE

Helping customers with simple and attractive finance and insurance products, and building annuity revenue streams

Turners has a portfolio of reputable businesses offering finance and insurance products to customers across New Zealand, including personal, motor vehicle loans and insurance



DEBT MANAGEMENT SERVICES

Helping businesses of any size in New Zealand and Australia with better management of their credit challenges

Turners has a growing presence in the debt management sector in both New Zealand and Australia through its EC Credit business

SHAREHOLDER COMMUNICATIONS GO ELECTRONIC

We encourage our shareholders to receive communications from us by email. This may include the annual report, share transaction statements, dividend payment advice, shareholder meeting notices and other company related material.

It's simple to sign up. Email enquiry@computershare.co.nz, provide your CSN/ shareholder number and confirm you want to receive Turners Automotive Group communications by email.

Alternatively, you can log in to www.investorcentre.com/nz and update your details. For first time users, you will need your CSN/shareholder number and FIN to access the Investor Centre and register your account. Going forward, you will access this service with your own User ID and Password.

While there, you can also update other details including change of address, banking instructions and IRD number.

STAY UP TO DATE WITH TURNERS eNEWS

You can also register to receive news and updates from Turners as we release them to the market.

To sign up, scan the QR code here or visit our [website](#) to subscribe.



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www.turnersautogroup.co.nz

KEY DATES

Financial Year End:
31 March 2018

Results Announced:
By end-May 2018

Annual Report:
By end-June 2018

2016 Bond Program expiry:
30 September 2018

Quarterly Dividends paid in:
April, July, October, December

CONTACT US

INVESTORS
www.turnersautogroup.co.nz

RETAIL
www.turners.co.nz

FINANCE
www.oxfordfinance.co.nz

INSURANCE
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EC CREDIT
www.eccreditcontrol.co.nz