



18 November 2016

MTF reports full year profit of \$7.2 million.

Profit before commission and fair value movements is up 0.4%, to \$45.4m, a consequence of improved sales in recent months and a growing asset base. Commission paid to shareholder originators increased 2% to \$34.0m. Total amounts paid to MTF originators, including commission, fees and payment waiver, increased 4.7% to \$54.1m.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance, decreased 2.3% to \$7.9m (2015: \$8.1m), largely due to the maturing of the payment waiver product launched in 2013.

Unrealised loss on fair value of financial instruments totalled \$1.2m, compared to \$1.8m last year, giving net profit after tax of \$7.2m (2015: \$6.9m).

Sales increased 8.2% in 2016 with the second half of the year performing very strongly. The car lending market generally remains very competitive, reflected in the market share for the period, measured by PPSR registrations, which reduced to 11.6% (30 September 2015: 11.9%).

Operating expense, excluding bad debt, as a percentage of assets under administration, held steady at 2.8% (2015: 2.7%). MTF continues to focus on strong cost management, while investing in areas that will ensure the business' future success.

Total assets increased \$30.0m (5.3%), on the back of strong second half sales, with finance receivables accounting for the increase, up \$23.1m.

At the date of this report, 31+ day arrears stood at 0.65% (2014: 0.44%), below internal benchmarks and well below industry averages. The increase from 2015 is due to modifying internal arrears management practices and timelines in line with the changes to the Credit Contracts & Consumer Finance Act 2003 (CCCFA) that came into force in June 2015.

Since the establishment of the franchise network in 2007 MTF has become a multi-channel business with motor vehicle dealers and franchisees. The franchise channel is experiencing strong growth and profitability and MTF is committed to developing the franchise system to become best in class.

Motor vehicle dealers are MTF's traditional distributors. While MTF's share of this market has been in decline, the company is committed to continuing to support this channel. MTF aims to reignite support through this channel by focusing on providing technology that makes it easier for dealers to transact with MTF and by giving them an alternative to our traditional full recourse lending option.

One exciting opportunity in development is the introduction of a recourse assignment option for our originator network. By partnering with Turners Limited, through their subsidiary Dorchester Finance Ltd, MTF is able to offer its originators an opportunity to originate non-recourse loans, at least in terms of the originator's ongoing credit risk liability. To protect the co-operative nature of MTF, originators can choose to take a customer on their recourse ledger or assign the risk to Dorchester

who will manage the loan and assume all of the credit risk. MTF will assist in, and be compensated for, the administration of the loans under the arrangement.

By offering both recourse and non-recourse products, MTF originators will have access to a one-stop finance system that provides the ability to maintain the customer relationship, without spending time managing the loan and will greatly improve sales, customer retention and revenue opportunities.

Our future development is now heavily focused on making it easier for our originators and customers to write good business. Creating simple and effective ways for originators to meet their compliance responsibilities is paramount. MTF took a large step forward with this by introducing electronic document capture. Uptake of the technology has been better than anticipated and by the end of September 45% of loans were originated using the platform.

The Supreme Court hearing in the Sportzone case was held in November 2015 with the judgment delivered in May this year. The Supreme Court dismissed the appeal by Sportzone Motorcycles Limited (Sportzone) and MTF.

Whilst MTF is disappointed with the decision, it acknowledges the decision clarifies the legislation for consumers, shareholders and the wider finance industry. MTF has confidence that the legislation can now be applied evenly and fairly by all industry participants.

The amount by which the fees have been held to be unreasonable, and is to be repaid, has been agreed with the Commerce Commission and is less than \$10,000 in total. Court costs relating to the judgment were \$25,000. The nature and structure of MTF's business has changed substantially since the 2006-2008 period, as has its current calculation of costs and fee setting process, which MTF believes are consistent with the Supreme Court judgment.

This year has been one full of challenges and distractions that, now they are firmly behind us, mean MTF can focus on strategic initiatives that will ensure MTF remains a market leader in the consumer finance industry.

In an economic environment where consumer confidence has flattened, MTF maintains good market share and continues to produce excellent profit for originators. Shareholder return on equity and dividend returns are superior to many in the industry, at a time when competition has never been stronger. Return on ordinary equity, using underlying profit after tax, was 13.9%, down from 14.4% in 2015. Underlying profit per ordinary share is \$0.28, up from \$0.27 for the same period last year.

On 17 November 2016, the directors approved a final dividend of 7.96 cents per ordinary share for payment on 30 November 2016. Total distribution relevant to the period will be 13.96 cents per share (2015: 13.65 cents per share) or \$3.2m (2015: \$3.1m).

For further information, please contact

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