

MTF Finance reports full year profit of \$5 million

MTF Finance today reported, for the year ended 30 September 2020, that profit after tax has decreased by 55%. The COVID-19 pandemic has seen a further reassessment of credit risk in 2020 resulting in an increased allowance of \$4.5m for forecast deterioration in credit risk as the global economic uncertainty continues into 2021. This resulted in a large loss on fair value of financial instruments for the business this year.

Commission paid to shareholder originators held steady with a minor increase of 0.5% to \$42.7m.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, to provide a more consistent measure of company performance, decreased 5.6% to \$7.5m (2019: \$8.0m) largely due to the reduction in sales in the second half of the year.

Sales decreased by \$26.8m (5.2%) as a direct result of the Level 4 lockdown where the company experienced a 90% drop in the month of April. A strong recovery has occurred following lockdown with sales levels bouncing back to pre-COVID levels.

Operational expenses were well controlled decreasing 0.1% on last year as well as being under budget with a ratio against average total assets under management of 2.6% (30 September 2019: 2.6%). To achieve this, we undertook an extensive review of our operating budget immediately following the nationwide lockdown announcement, in anticipation of declining sales.

Total assets decreased \$30.2m (3.9%) to \$753.8m, of which \$22.9m relates to finance receivables and \$11.4m to cash in restricted bank accounts that temporarily increased last year as a result of the timing of the new securitisation trust issuance.

The MTF Finance Board approved a final dividend of 5.11 cents per ordinary share for payment on 30 November 2020. Total distribution relevant to the period will be 7.11 cents per share (2019: 14.51 cents per share) or \$1.6m (2019: \$3.3m).

COVID-19 was not how we imagined we would celebrate 50 years of successful business. This year has been challenging to a degree never envisaged in our most challenging planning scenarios. What it has done, is provide us the opportunity to rethink what we need to prioritise to emerge from this crisis in better shape. The new financial year has started better than expected, but it feels like only now, post the general election exhilaration, that we are starting to face economic reality as a country. We are in a better position than most other countries, however there remains considerable economic uncertainty. Consumer spending and the availability of credit will play critical roles in that recovery and MTF Finance is well placed to play our part. We are looking at ways to grow MTF Finance by teaming up with our originators to deliver leading customer experiences that combine digital and humanised lending. This customer first approach means MTF Finance will be well positioned to thrive for the next 50 years.

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About MTF Finance

Established in 1970 as a way for motor vehicle dealers to write loans for their customers, MTF Finance is a Dunedin success story specialising in the finance of vehicles and business equipment. MTF Finance now has assets of \$754m, is wholly New Zealand owned and operated, with 47 independent franchise offices operating from Whangarei to Invercargill, as well as a solid nationwide base of vehicle dealer originators.



First listed on the NZDX in 1994, MTF Finance has a well-established brand and reputation both as a supplier of finance and as a capital markets issuer, regularly issuing medium term notes to institutional investors in New Zealand and Australia.