



16 November 2015

MTF reports full year profit of \$6.9 million.

Profit before commission and fair value movements is up 6.9%, to \$45.2m, a consequence of strong asset growth in recent years. Commission paid to shareholder originators increased 6% to \$33.4m. Total amounts paid to MTF originators, including commission, fees and payment waiver, increased 3.3% to \$51.7m.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance, increased 21% to \$8.1m (2014: \$6.7m) largely due to insurance proceeds received during the period.

Unrealised loss on fair value of financial instruments totalled \$1.8m, compared to \$1.7m last year, giving net profit after tax of \$6.9m (2014: \$6.1m).

Sales decreased 7.3% in 2015, after a record year in 2014. MTF's traditional market of used car finance has come under pressure with the high NZ dollar making new cars an attainable proposition for consumers. The car lending market generally remains very competitive, reflected in the market share for the period, measured by PPSR registrations, which reduced to 11.9% (30 September 2014: 12.5%). We anticipate trading conditions to be challenging and growth difficult to achieve as demand for consumer credit continues to abate. MTF will target growth in quality lending, through expanding its car dealer and franchise distribution and by increasing our focus on retention of preferred existing customers.

Operating expense, excluding bad debt, as a percentage of assets under administration, dropped to 2.7% (2014: 3.0%). We continue to focus on strong cost management, while investing in areas that will ensure the business' future success. Administration expense dropped 19% due to the 2014 costs associated with defending proceedings brought by the Commerce Commission and costs relating to last year's approach from Heartland. Communication and processing expense increased 34%, due mainly to the launch of a national multimedia brand awareness campaign.

Depreciation and amortisation dropped 11%, as MTF invested in a more structured development programme using internal capabilities, replacing the reliance on costly third parties to deliver major technology developments.

Total assets increased \$25.6m (4.7%), on the back of strong first quarter sales, with finance receivables accounting for the increase, up \$27.7m.

At the date of this report, 31+ day arrears stood at 0.44% (2014: 0.43%), below internal benchmarks and well below industry averages.

Aside from the day-to-day business there has been corporate interest in the company, with Turners Limited (Turners) and Heartland New Zealand Limited (Heartland) showing interest in acquiring ordinary shares.

The initial offer from Turners, an existing MTF shareholder, closed on 17 October 2015 and resulted in the company acquiring 6.67% of our ordinary shares, taking its current holding to 7.62% of the ordinary shares.

In response to Heartland's initial approach the Board stated it would not approve Heartland holding 10-20% of the ordinary shares. Heartland signed a confidentiality agreement on 22 October 2015 and has since started initial limited due diligence, to help it decide whether it will make a full takeover offer. Whether Heartland will make a takeover offer remains to be seen, but the Board notes that whilst it is not actively seeking a buyer, it is obliged to consider whether any offer is in the best interests of the company and its shareholders. The approval of the Board and a special resolution of MTF shareholders would be required before a party could hold more than 10% of MTF's shares. A shareholding by Heartland could also require amendments to the MTF constitution.

These approaches reflect the fact that MTF is in good health and is operating well in an extremely competitive environment. Both Turners and Heartland see benefits in working with MTF and/or owning shares in the company, and there is potential for some of those benefits to flow through to originators and shareholders. The company continues to have competitive, low cost funding, with strong investor demand on the wholesale funding side of the business. MTF has a strong focus on providing leading technology and systems to meet customer and originator demands. 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.

In July, the Supreme Court granted MTF and Sportzone Motorcycles leave to appeal the Court of Appeal judgment in the Sportzone case. The case was heard by the Supreme Court on 10 & 11 November 2015 and allowed a continuation of the key arguments regarding the appropriate test for unreasonableness of a credit or default fee charged to a borrower, including the costs a lender can reasonably recover, under the provisions of the Credit Contracts and Consumer Finance Act 2003.

The "unreasonable fee" provisions apply to all businesses that provide credit to consumers, including banks, finance companies and retailers. The total amount by which the fees charged by MTF that have been held to be unreasonable, and would be repaid to 39 Sportzone borrowers if the Court of Appeal decision is upheld, is less than \$10,000. A decision from the Supreme Court is expected in early 2016.

MTF is committed to supporting its originators so they can provide a highly customer focused, compliant and market leading service. To further facilitate this, MTF has appointed a training specialist to deliver modern training tools, using multiple delivery mediums, to our originators and their staff. Successful compliance training initiatives around anti-money laundering and responsible lending have already been released and are to be followed with sales and customer lifecycle training.

The board and management are confident that investment in market leading technology and a focus on outstanding service to customers and originating shareholders, will enable MTF to maintain its share of an increasingly competitive market.

Return on ordinary equity, using underlying profit after tax, was 14.4%, up from 12.4% in 2014. Underlying profit per ordinary share is \$0.27, up from \$0.22 for the same period last year.

On 13 November 2015, the directors approved a final dividend of 7.65 cents per ordinary share for payment on 30 November 2015. Total distribution relevant to the period will be 13.65 cents per ordinary share (2014: 11.2 cents per ordinary share).

For further information, please contact

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