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MTF Finance reports half year profit of \$4.2 million

The first half of the 2019 financial year saw a decline in trading conditions for the business. Underlying profit after tax, which removes the volatility of unrealised fair value movements and provides a more consistent measure of company performance, decreased 4.0% to \$3.9m (31 March 2018: \$4.1m, 30 September 2018: \$8.1m).

Profit before fair value movement decreased 10.2% to \$5.7m, on the back of a decline in sales of \$65.3m (20.5%) from the same period last year.

Total amounts paid to shareholder originators, including commission, fees and payment waiver, decreased 6.0% to \$33.9m. Commission paid to shareholder originators increased 7.3% to \$21.1m.

Sales were down \$65.3m, with \$49.4m of this reduction attributable to two events. Firstly, the non-recourse product offered in conjunction with Oxford Finance (Turners) was discontinued. Non-recourse created record breaking sales volumes in 2017 and early 2018. Demand for the product dropped after tighter underwriting criteria was introduced, having a negative impact on sales, which ultimately led to the termination of the product. Secondly, key customer Turners Finance continued their integration strategy into their automotive group diverting away from MTF Finance with sales for the period totalling \$0.6m (31 March 2018: \$25.5m, 30 September 2018: \$42.4m).

In November 2018 MTF Finance teamed up with Trade Me Motors to enable buyers to easily engage with a finance option on consumer listings. This pilot was rolled out nationwide in January 2019. In the short period to 31 March 2019, the pilot has delivered sales of \$1.5m and created a complementary digital channel for future growth of the business. It has now transitioned to a nationwide long-term collaboration.

Expense is in line with last year and under budget with a ratio against average total assets under management of 2.7%, compared to 2.8% for the same period last year. We have reprioritised spending/resource to focus on those initiatives that will provide the most value and sales growth.

Our strategic roadmap is our blue print for future success. It centres on our customers, originators and people. Investing in all three is important to ensure future growth aspirations of the company are realised.

We have learnt much from customer experience research over the past 18 months and now is the time to implement recommendations and learnings into tangible actions that increase our market share and improve customer satisfaction. The development of our digital platform and establishment of a framework to listen to and respond to customer needs is front of mind.

The growth MTF Finance has experienced in recent times has been unprecedented and we are now experiencing a decline for the reasons outlined above. We have made progress on replacing lost non-recourse business through the partnership with Trade Me, and more is required. We will continue to balance our focus on retaining our share of the market while looking to the horizon and positioning MTF Finance so it can adapt quickly in a rapidly changing market.

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