



16 May 2016

MTF reports half year profit of \$2.9 million

Underlying profit after tax, which removes the volatility of unrealised fair value movements, providing a more consistent and meaningful measure of company performance, increased 4.9% to \$3.8m (31 March 2015: \$3.6m, 30 September 2015: \$8.1m). A reconciliation of profit after tax to underlying profit is provided on page 1 of the half year report available at www.mtf.co.nz/halfyearreport.

Profit before commission and fair value movements is down 0.4%, to \$21.9m, a consequence of lower sales volume in a highly competitive market. Commission paid to shareholder originators decreased 0.1% to \$16.5m. Total amounts paid to MTF originators, including commission, fees and payment waiver, decreased 1.3% to \$25.9m.

Unrealised loss on fair value of financial instruments totalled \$1.3m, compared to \$0.8m for the same period last year, giving net profit after tax of \$2.9m (31 March 2015: \$3.2m, 30 September 2015: \$6.9m).

Sales decreased 5% from the same period last year but are showing encouraging signs of recovery with a 4.6% lift on the last half of 2015. The car lending market generally remains very competitive and is reflected in the market share for the period, measured by PPSR registrations, which reduced to 11.4% (31 March 2015: 12.2%, 30 September 2015: 11.9%).

Operating expense, excluding bad debt, as a percentage of assets under administration remained consistent at 2.7% for the period (30 September 2015: 2.7%).

Total assets increased \$3.5m (0.6%) on the back of improved sales, when compared to the last half of 2015, with finance receivables up \$3m.

MTF's securitisation programme continues to perform well and lead the New Zealand market. The Zephyr Trust, our first medium term note issuance from 2012, concluded in April 2016 in line with expectations. We intend to return to the capital markets for a third issuance, when market conditions are favourable.

Motor vehicle sales have continued to perform above expectations and competition for a share of the finance segment, through discounting margin, continues to be aggressive. Growth opportunities exist in our core business channels of franchises and car dealers. Delivering smart business solutions, to make obtaining finance a simple and painless proposition for customers and originators, will be key to achieving sustainable growth.

MTF has begun piloting several initiatives including electronic document and signature capture. Initial feedback has been encouraging and will go some way to providing relief for originators from the burdensome documentation process that recent legislation changes now require of our originators, and all in the industry.

Late last year Heartland New Zealand Limited (Heartland) expressed an interest in acquiring MTF as a consequence of Turners Limited (Turners) making an offer for up to 20 % of the ordinary shares of MTF. The offer from Turners, an existing MTF shareholder, has resulted in it increasing its holding to close to 8% 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 in October 2015 and, since that time, has continued to undertake limited due diligence to help it decide whether it will make a full takeover offer. At this time Heartland has not presented an offer for consideration by the Board.

The board and management are confident a focus on delivering outstanding service to customers and originators will enable MTF to maintain its share of a highly competitive

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