

## **MTF Finance reports full year profit of \$11.1 million**

MTF Finance today reported, for the year ended 30 September 2019, that profit after tax was up 38.3% on the back of an unrealised gain on fair value of financial instruments. The gain on fair value was driven by a change in accounting treatment, totalling \$4.4m, compared to a \$0.9m loss last year. Commission paid to shareholder originators increased 6% to \$42.5m.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, to provide a more consistent measure of company performance, decreased 8.6% to \$8.0m (2018: \$8.7m) largely due to the loss of administration fees earned through the non-recourse venture with Oxford Finance (Turners).

Sales have decreased by \$83.3m (13.9%), of which \$71.3m is attributable to two events.

Firstly, the non-recourse product offered in conjunction with 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 shareholder Turners Finance continued their integration strategy into their automotive group, diverting their recourse finance business away from MTF Finance with sales for the year dwindling to \$0.6m (30 September 2018: \$42.4m).

Replacing lost business has been a priority for the company this year. In November 2018 MTF Finance teamed up with Trade Me Motors to enable buyers to easily engage with a finance option on consumer vehicle listings. This initiative was rolled out in January 2019 and has now transitioned to a nationwide collaboration, delivering sales of \$12.6m and creating a complementary digital channel for future growth of the business.

Sales for the second half of the year increased by 4% on the first half, showing encouraging signs of performance recovery following the termination of the non-recourse product mention above.

Operational expenses were well controlled decreasing 2% on last year as well as being under budget with a ratio against average total assets under management of 2.6% (30 September 2018: 2.8%).

Total assets increased \$36.0m (4.8%) to \$784.0m, of which \$14.7m relates to finance receivables and \$22.6m to a temporary rise in cash in restricted bank accounts as a result of the timing of the new securitisation trust issuance. Change in accounting standards led to the reassessment of assumptions for determining credit risk. This resulted in a \$5m reduction in credit risk. The result of this has seen the fair value of finance receivables and net profit before tax increase accordingly. Further detail regarding this change is set out in Note 1 and Note 13 of the annual report.

The MTF Finance Board approved a final dividend of 8.51 cents per ordinary share for payment on 2 December 2019. Total distribution relevant to the period will be 14.51 cents per share (2018: 15.32 cents per share) or \$3.3m (2018: \$3.5m).

During the year, MTF Finance began a transition to more agile work methods, in order to ultimately deliver our strategic plan in a more timely and efficient manner. This has required additional resource investment from the company. The Board of Directors and Management are committed to this change and expect further investment over the coming year to fully embed this new approach across the business, which will result in business growth, greater efficiency and improved profitability in the future.

The new environment has challenged us to rethink our strategic objectives for the upcoming 2020 financial year (and beyond). Our focus will be on outcomes rather than output, aligning the business to objectives with key measurable results to ensure greater execution. Our customer centric outlook will continue to underpin everything we do in order to achieve our vision to be recognised and trusted by New Zealanders as their preferred finance company.

We exist to support our shareholder originators to deliver on our purpose, to help New Zealanders get the things they want through, responsible, accessible lending. Our engagement with originators is



imperative to ensuring we deliver the tools and products that enable them to meet and exceed customers' expectations.

ENDS

For more information contact:

Dan Te Au  
Finance Manager  
MTF Finance  
t: 03 951 2333 | e: dan.teau@mtf.co.nz

### **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 \$784m, is wholly New Zealand owned and operated, with 46 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.