

22 June 2020

MTF Finance reports half year profit of \$2.7 million

Prior to the arrival of COVID-19, the first half of the 2020 financial year was encouraging. Sales for the period increased \$12m (4.7%) from the same period last year. With the COVID-19 lockdown occurring in the last week of March, and extreme uncertainty ensuing, we took proactive measures to increase our provisioning in response to forecasted deterioration of credit risk.

This provisioning has resulted in profit after tax decreasing 37%, to \$2.7m from the same period last year as the credit risk adjustment to finance receivables increased \$1.5m.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance, was steady, with a small decrease of 1.5% to \$3.86m (31 March 2019: \$3.92m, 30 September 2019: \$7.95m).

Total amounts paid to shareholder originators, including commission, fees and payment waiver, increased 1.7% to \$34.4m. Commission paid to shareholder originators has increased 1.7% to \$21.5m.

As at 31 March, expense had increased 6.3% in line with budget as we continue our investment and commitment to moving to more agile work methods. Subsequently and immediately following the nationwide lockdown announcement, an extensive review of our operating budget was performed in anticipation of declining sales. Staff and directors have accepted temporary reductions in their remuneration and resource has been directed away from non-critical activities. This has resulted in significant reductions to non-critical business expenditure that has protected our originators from a deterioration in their commission. This has been and will continue to be closely monitored by management.

As a precautionary response to COVID-19, the board resolved to suspend dividend distributions to ordinary shareholders, the majority of whom also receive commission income as originators. This will be reviewed at the end of the 2020 financial year with the intention to resume ordinary dividend distributions if the Board are satisfied that the company has prudent levels of working capital to meet forecast requirements.

The board will continue to approve dividends to Perpetual Preference Shareholders in the normal course of business, unless there is a material change in the company's ability to do so.

The board and management continue to work closely together to shape the strategic direction of the company to best serve our customers, our originators and our people. This is crucial in the response to the COVID-19 crisis as we enter an extremely uncertain and perhaps very different future.

As we have done throughout our 50-year history, supporting our originators, our customers and the communities in which we operate, remains our priority. The value of our company is directly linked to the success of our originators, so it is in the best interests of the company that we support our originators through this once in a lifetime event.

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