

28 September 2023

Market Announcement
NZX:2CC

2CC ASM SCRIPT

SLIDE 1 – 2CC 2023 ANNUAL SHAREHOLDERS' MEETING

Michael Stiassny

Mōrena, good morning and thank you for making the time to join us this morning.

My name is Michael Stiassny, Chairman of 2 Cheap Cars Group Limited. As it's now 10.00am, I am pleased to open the 2 Cheap Cars Annual Shareholders' Meeting.

SLIDE 2 – BOARD AND MANAGEMENT

On behalf of my fellow Directors, welcome to all of you here at the Ellerslie Event Centre as well as those who have joined via the Computershare webcast. This is your meeting, and we thank you for taking the time to join us today.

With me this morning are directors David Sena and Gordon Shaw, our Chief Executive, Paul Millward, and our Chief Financial Officer Angus Guerin. Our lawyers from Minter Ellison Rudd Watts are in the room and our Auditors, UHY Haines Norton are present online.

This is a hybrid meeting, so before we start the meeting proper, there are separate housekeeping matters to cover off. We appreciate your patience.

For those in the room:

- If you have a cell phone, please switch it off.
- If we need to evacuate this room for any reason, there are exits to your left through the Mitchelson Lounge and also the entrance you came through.
- In the event of an emergency, please listen to the instructions from the 2 Cheap Cars staff, Gemma & Joel.
- Bathroom facilities are located in the Mitchelson lounge which is the room to your left
- If you are feeling unwell, please advise one of our staff who will assist you.

For those who are attending the meeting online:

- We ask that you follow the information provided in the Notice of Meeting regarding voting and asking questions.

- Should you require any assistance, you can type your query and one of the Computershare team will assist, or alternatively, you can call Computershare on 09 488 7800.

SLIDE 3 – QUESTIONS

Please note that only shareholders and proxies can ask questions and submit votes.

I encourage all of you attending online to submit questions via Computershare at any time during the meeting. If you have a question, click the Q&A tab on the right half of your screen. Type your question into the field and press send. Your question will be submitted immediately. Specific questions on any of the resolutions to be considered will be answered as the relevant resolution is put forward, while general questions will be addressed later in the meeting.

Questions may be moderated, or if we receive multiple questions on a topic, they may be amalgamated. If we run out of time to answer all questions during this meeting, we will answer them directly via email and post the responses on our website.

To any media present – welcome. Just a reminder that this is a meeting for shareholders, but Paul and I will be happy to talk to you after the meeting.

SLIDE 4 – VOTING PROCESS

Voting today will be by way of a poll on all items of business. To provide you with enough time to vote, I will shortly open voting for all resolutions.

At that time, if you are eligible to vote at this meeting, you will be able to cast your vote under the Vote tab. To vote, simply select your voting direction from the options shown on screen. You can vote for all resolutions together, at once, or for individual resolutions. When the tick appears, your vote has been cast. To change your vote after that time, simply select 'Change Your Vote'. You can do this until I declare voting closed.

I now declare voting open on all items of business. The resolutions will be open in the vote tab, you may submit your votes at any time, and I will let you know in advance that voting will be closing.

SLIDE 5 – AGENDA

Here is today's meeting agenda.

We will provide you with an update on last year's performance, our strategy, and the progress we've made at 2 Cheap Cars in recent months.

Following these presentations, we will move to the formal resolutions set out in the Notice of Meeting, followed by general business and questions.

Finally, we hope that those of you here at Ellerslie will join us for refreshments at the conclusion of the meeting.

Let's now move on to the formal part of the meeting.

Apologies

Are there any apologies?

(If not:) Thank you.

(If yes:) Thank you, I will ask the Secretary to record those in the minutes.

Quorum

The Company's constitution prescribes a quorum requirement of five shareholders present in person, or by representative participating by audio, audio and visual or electronic means.

As confirmed by Computershare, this requirement has been met.

Proxies

In addition to those attending in person today, 60 shareholders, holding a total of 5,858,005 shares, have appointed proxies (including proxies instructed to abstain). The appointed proxies represent 12.86% of all shares.

In my capacity as Chairman of the meeting and in my own name I hold proxies for 39 shareholders, representing 4,885,458 shares, or 10.72% of all shares.

I intend to vote all undirected proxies I have received in favour of resolutions 1 and 2.

Annual Report and Notice of Meeting

The annual report was made available on 2 Cheap Cars' website on the 29th of June 2023.

The Notice of Meeting was uploaded to the NZX and sent to shareholders and other persons entitled to receive it on 30th August 2023.

I propose that we take the Annual Report and Notice of Meeting as read.

SLIDE 6 – CHAIR'S OPENING REMARKS

Michael Stiasny

It is good to be standing here today with the 2 Cheap Cars share price sitting at [62 cents], FY24 profit guidance increased to between \$5.2m and \$5.7m, and to be able to reaffirm guidance that the Company still intends to recommence dividend payments. Good news that I am sure will be welcomed by you all.

The 2 Cheap Cars dividend policy is to pay 50% to 60% of NPAT. Based on the midpoint of our latest guidance, this would translate to a gross interim dividend of five cents per share and a full year dividend at a similar level.

Please note that the Board makes final decisions regarding dividends only once results are approved at the half and full year, in accordance with our dividend policy, and acting prudently based on information available at that time. To the extent expectations change, we will update the market.

When the new board was appointed little more than a year ago, we had a clear goal – to stabilise what was then, a broken Company. We have reset the Company's foundations to focus on profitable growth, and importantly, to restore shareholder value.

That rebuild is now complete with the appointment of a new management team, new bankers and auditors, a singular focus on selling affordable vehicles and a market brand that does what it says on the can ... 2 Cheap Cars.

This is a no-frills business. We have returned to its successful, profitable pre-listing roots by stripping out unnecessary cost, leveraging its supply chain dominance and strengthening focus on expanding gross margins. Our recent guidance upgrade suggests that 2 Cheap Cars will achieve record profit for FY24.

This turn around has not been without difficulty. The relationship breakdown between original co-founders, David Sena and Eugene Williams has been acrimonious, distracting for the business both from a governance and operational viewpoint, and detrimental for shareholder value.

Today you will be voting on whether to approve a transaction that will see David Sena and related parties acquire the approximately 30% stake held by Eugene Williams and his interests. As outlined in the Notice of Meeting, your independent directors believe that this transaction is in the best interests of all shareholders as it will ensure the Company can move forward positively at pace, without further disruption and distraction.

We were pleased to see our view supported by the New Zealand Shareholders Association, following David's discussions with them aimed at protecting the interests of minority shareholders.

David has made a public statement of his intention not to utilise the 'creep' provisions of the Takeovers Code for a period of three years from the date of the share acquisition.

He also intends to maintain a majority of independent directors on the Board; and

enable consultation with minority shareholders and their representatives prior to the appointment of future independent directors.

These statements of intent and their legal effect were released on NZX on 13 September, and can be viewed by shareholders there.

I understand that in working with David on these commitments, NZSA has accomplished a first for an NZX-listed company. I'd like to warmly thank NZSA for engaging so genuinely on these matters and congratulate them on achieving greater alignment between the interests of major and minority shareholders.

David is passionate about this business. He is a car man through and through and has been instrumental in getting 2 Cheap Cars back on track, working hard to improve both its operational performance and share price. He has an undeniable vested interest in the business achieving sustainable profitability which clearly benefits all shareholders.

Your independent directors are hopeful that with a vote to approve this transaction, a line can finally be drawn under the distractions of recent years. We believe that all Shareholders will ultimately benefit from the Company finally having the stability and aligned vision required to reach its potential.

In closing, I'd just like to acknowledge and thank Paul for his efforts since joining the business in January. He hit the ground running and the year to date results are testament to his energy and focus.

Importantly, I'd like to thank our shareholders for the patience you have shown as we have righted the ship. Your board firmly believes the strategy is sound; the brand offering is on point in today's economic climate; and the fundamentals are in place to continue to drive improved performance and profitability.

I'll now hand over to Paul to take you through our FY23 results and strategy update.

SLIDE 7 – CEO ADDRESS

Paul Millward

Thanks Michael.

It's a pleasure to be here today to address my first ASM as CEO. I joined in January, and it's been rewarding to be part of the transformation that was desperately needed. I do want to acknowledge my team for all their hard work which has started to create a far more valuable business. I'm enjoying the challenges of transforming this business and I'm passionate about seeing it reach its significant potential for both our shareholders and our staff.

SLIDE 8 – FY23 SUMMARY

Before I share our strategy and our ambition, I'll quickly cover off the highlights from FY23 (to the end of March).

The Company's full year revenue and income increased by 25% to \$82.7m.

Non-recurring costs of \$1.0m associated with board and management changes included in FY23 and a one-off lease gain of \$0.9m in FY22 saw NPAT fall to \$1.3m from \$2.6m in FY22.

Underlying NPAT, excluding the non-recurring costs, increased by 18% to \$2.0m in FY23.

Underlying earnings per share rose from 3.7 cents per share to 4.4 cents per share.

Net operating cash flow excluding lending improved to \$10.9m, up \$0.6m for the same period the previous year.

Total vehicles sales increased by 6.1%, whilst our market share reached 4.5%.

As you will be aware, the Board took the prudent decision to retain capital and no final dividend was paid. However, as Michael mentioned earlier, we are anticipating recommencing dividend payments at the half year.

In the fourth quarter, it became obvious that decisions taken to stabilise the Company were quickly beginning to impact results. Underlying NPAT in the fourth quarter was \$0.8 million representing 40% of the full year profit, while retail contribution margin was \$3.8 million, up 18% on the prior quarter. We are pleased to say that this trend has accelerated into the first five months of FY24 which Angus will share shortly.

SLIDE 9 – FOCUSED STRATEGY

Since joining the Company, my focus has been on resetting the foundations of the business. First up we appointed new auditors, secured a new finance facility, and reset the business strategy to focus on the core vehicle retail business and to act as a finance agent.

The rationale for this move was simple – focus must be on what drives value for shareholders and what we do well, and that is retailing affordable cars. We already have great, profitable third-party Finance and Insurance solutions, so the NZ Motor Finance loan book remains in run down mode with the business collecting the receivables to recoup investment.

Reflecting this new focus, NZAI as a corporate brand was retired and replaced with our retail badge ... 2 Cheap Cars. That's who we are. We're proud of what we do, we're privileged to have a strong brand and it makes sense to connect with and leverage that brand at every single point.

We now have a simple, 6-point strategy to execute, and our commercial success has come about from total focus on what matters.

Firstly, we are continuing to strengthen our supply chain operations. Our Japanese-based procurement team is an important part of this, and we are also now undertaking some vehicle entry compliance activity inhouse which delivers great cost savings and stronger supply chain control. This means we get vehicles onto yards quicker which then drives sales.

And, taking on additional shipping partners has meant that inventory levels are no longer being impacted by shipping constraints.

In short, the more we do in-house the more we can manage our value chain.

Electric and Hybrid electric vehicles continue to be a sweet spot for 2 Cheap Cars and accounted for 41% of total sales in FY23, an increase of 65% over the previous year.

Our ability to source quality Hybrids in particular is a real strength and we're proud to share that year to date, sales of EVs and hybrids have reached 52% of total sales. We are confident that pain at the petrol pump will continue to make EVs and HEVs an attractive proposition for our customers.

Our approach to retail is to grow our footprint, but sensibly and over time. We are focused on strengthening a national dealership that fuels profitable growth. Ultimately, that means ensuring the right cars in the right locations with the right margin. Our strategic property plan will help us achieve this and I'll talk to that shortly.

Gross margin expansion is our key metric for success. We will achieve this through continuing to increase finance and insurance penetration, accelerating our digital capabilities, and ensuring we have the right cars in the right places at the right prices.

Our intention is to prioritise margin over market share. Yes - scale is still important in a low-cost retailer, but delivering profits not market share is what will create value for shareholders.

In the digital space, sales via our website are healthy and we have made good progress refining our end-to-end online buying process. But there's plenty of upside still to be had by simplifying the digital platform and executing on customer feedback. Behind the scenes, we're working our CRM system a lot harder to take every sales opportunity.

Customer experience is everything. We have a great reputation and a strong social media following that we can leverage more. We are confident this is an area that can really deliver for us with stronger focus and putting customers at the heart of what we do. We have a well-regarded consumer brand, and the team are very proud of the recognition here including a recently “highly commended” in the Readers Digest Most Trusted Brand survey.

Finally, people - I’m passionate about building great teams and we’re making progress to ensure we have strong leaders, a great bench for tomorrow and a culture to attract talent. Health and safety is a priority and our recruitment and training practices are also being built on to ensure that our team have the skills and support they need to succeed.

SLIDE 10 – FAVOURABLE MARKET DYNAMICS

So, we have a clear and simple strategy, but the 2CC brand is also well positioned to take advantage of current market conditions.

While used car availability is generally improving post-pandemic, shipping issues remain and 2CC has the advantage of now using multiple shipping partners to support consistent delivery and strong inventory. Our inventory is back to where it should be, but the graph clearly shows the choice available to Kiwis is down on prior years, so we are ahead of the market here.

More generally, New Zealand is in the midst of a cost-of-living crisis, climate change is creating weather events causing vehicle damage and the national fleet is ageing. The upshot is that car repairs are increasingly uneconomic, new vehicle sales are under pressure and we’re seeing an increased demand for used cars in the \$8K to \$12K bracket which is precisely where 2CC is positioned.

And in terms of competitors, we continue to see the numbers of registered car dealers decline and there remain significant barriers to import at scale.

Simply put, the 2CC strategy coupled with our scale, our brand and market dynamics paints a very positive and valuable picture for the future.

SLIDE 11 – RETAIL FOOTPRINT

As I mentioned earlier, we have a strategic property plan that will drive profitable growth through new and better branches in the right locations.

We need to be strong where it matters most – for us that is largely in big urban centres and specifically Auckland where we currently have 7 branches. We have 9% market share in Auckland, but the sheer scale of the city means we have further opportunity. We are also doubling the size of our Christchurch yard, where we see potential for an expanded dealership in a market that is significant and where our share is low.

We recently closed our Napier branch, not because it was unprofitable, but because there are other, better opportunities for sustainable scale growth.

Over the next three years, you will see 2CC focus on a two-tiered site strategy with both mega and satellite sites depending on the scale of the geographic opportunity. The rationale for this approach is that additional sites require very low overheads to run and given our business model, new yards require minimal capital investment.

SLIDE 12 – FY25 ambition

What's next?

We've made really good progress getting this business back on a strong footing, with record profits looking likely based on the current profit guidance.

This graph tracks the fortunes of 2CC since its original inception in 2012. It tells a very clear story pre- and post-IPO and pre- and post-recent troubles.

The business is now in an exciting new phase and the team is really energised. We've broken quite a few records this year and that's something we want to keep doing!

This is our ambition, \$6.5m net profit after tax in FY25

Provided we execute on the strategy I've taken you through today – and assuming foreign exchange, supply, and regulatory stability – we are confident that this is a realistic and achievable figure.

I'm driven by two things – Developing people and delivering targets, so I'm serious when I say that I want to be up here next year telling you we're on track for another record-breaking profit.

Thanks for your time.

I'll now hand over to Angus to take you through the financial update for FY24.

SLIDE 13 – FINANCIAL UPDATE

Angus Guerin

Thanks Paul.

I joined 2 Cheap Cars in late June because it was clear to me that the company had huge potential to grow, and I wanted to be a part of that journey.

In July, we released an earnings upgrade taking our full year guidance to net profit after tax (NPAT) of between \$3.8m and \$4.2m. Following the strong results in July and August we recently upgraded that guidance to \$5.2m-\$5.7m.

Today I'd like to give a little more colour around our most recent earning guidance, first by taking you through our year-to-date results and secondly, by outlining the drivers behind our full year 2024 projections. Please note that these results are unaudited.

SLIDE 14 – FY24 UPDATE

Year to date for the five months to the end of August we have delivered NPAT of \$2.4m which compares to \$0.7m in the equivalent period last year.

There are several drivers behind these amazing results, but at the heart has been a sharp focus on gross margin, even at the expense of some volume.

Our year-to-date gross margin is 24%, which is a 6-percentage point increase on the same period in the prior year. We have achieved this by buying better, (helped by a favorable exchange rate), improving reconditioning efficiencies and carefully managing pricing to ensure we remain competitive while not leaving money on the table.

The table on the right shows that while our average year to date volume is below prior year by 17%, we have consistently exceeded prior year gross margin in both percentage and absolute terms. We have seen this flow directly to the bottom line.

Our revenue is slightly ahead of the same period prior year, which reflects higher prices and stronger F&I penetration offset by the 17% lower volumes and the impact of lower revenue from our loan book which continues to wind down.

The average year to date sale price of a vehicle including on road costs is \$11,617 up from \$9,563 at the same time last year.

Our year-to-date operating cashflow was \$4.0m despite having built inventory to a more stable level following the shipping constraints noted at the previous year end. This compared to \$3.7m at the same period prior year.

SLIDE 15 – FY24 OUTLOOK

Our earnings guidance is \$5.2m-\$5.7m.

Should the board declare dividend payments, based on a midpoint of \$5.45m, this would result in a gross interim dividend of five cents per share payable in December and a final dividend at a similar level payable in June 2024, dependent on the final full year NPAT. When we started this meeting, our shares were trading at [62c]. A 10 cent full year dividend would translate to a gross yield of 16%.

We are confident in achieving this result for a number of reasons:

- 1) We have a much more stable supply chain with several freight forwarding options.
- 2) Our in-house compliance activities, launched in July, have delivered significant monthly cost savings and have further untapped potential.
- 3) Our Christchurch yard is due to double in size from mid-October with significant additional monthly volume anticipated.
- 4) On yard percentage of capacity continues to improve, driven by operational efficiencies at our hub.

Having said that, we have taken a conservative approach to the rest of year forecast regarding vehicle margins and finance and insurance penetration, factoring in the financial pressure on Kiwis heading into Christmas.

It is great to see 2 Cheap Cars back strong and starting to achieve the sort of results our shareholders deserve.

I look forward to reporting how we're tracking later in the year and will now hand back to Michael. Thank you.

Michael Stiassny

Thanks Gus. I will briefly open the floor to questions specifically regarding Paul's, Angus's and my presentations, the Annual Report and Financial Statements only. We will take all **general** questions at the conclusion of the general business and questions from online participants will also be read and answered at that time.

I remind you that this is a shareholders' meeting, and only shareholders and proxy holders may speak.

Please be aware that this meeting is being webcast, so an audience outside of this room will hear you too.

If you wish to speak, please raise your hand, and introduce yourself before you begin your remarks.

[QUESTIONS]

Thank you. We will now move to voting on the resolutions laid out in the Notice of Meeting.

SLIDE 16 – ORDINARY RESOLUTIONS

For those shareholders here in person, you will have either the Voting/Proxy Form sent to you with the Notice of Meeting, or a voting form given to you by Computershare when you entered the meeting.

When you cast your vote please tick one box, either for, against, or to abstain alongside each resolution. In all cases, please ensure that you sign the form once your vote has been cast.

If you are here as a proxy on behalf of a shareholder, you will need to cast that shareholder's votes for them to be counted.

If you do not have a voting form, please go to the registration desk to ask for help.

Each of the resolutions to be voted on, as set out in the Notice of Meeting, is an *Ordinary Resolution* which can be passed by a simple majority of the votes of shareholders entitled to vote and voting on the resolution. As required by the NZX Listing Rules, the chairperson hereby demands a poll on all resolutions. As such, the votes on each resolution shall be counted according to the votes attached to the shares of each Shareholder entitled to vote and voting.

For those shareholders participating online, the resolution and voting options should now appear on your screen. Please make sure you have signed in with your CSN number to ensure your vote is valid.

To vote, simply select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by individual resolution.

Please note that your vote has been cast when the green tick appears, and you can change your vote by selecting 'Change your Vote'.

Should you require any technical assistance, please type your query in the Q&A tab or chat function and one of the Computershare team will assist or call 09 488 7800.

All voting will remain anonymous. Votes will be collated by Computershare and the verified results will be announced to the NZX later today.

SLIDE 17 – RESOLUTIONS

I now turn to resolution 1.

Section 207S of the Companies Act provides that the fees and expenses of the auditors are to be fixed in such manner as the company determines at the Annual Meeting. The Board proposes that, consistent with past practice, the auditor's fees be fixed by the directors.

I therefore move that resolution 1 is put to shareholders – that the Board be authorised to fix the auditor's remuneration.

Is there any discussion?

[FOLLOWING ANY QUESTIONS OR DISCUSSION]

If shareholders could please cast their votes on resolution 1.

[PAUSE]

I now turn to resolution 2.

Just a reminder that Resolution 2 is subject to voting prohibitions under the Takeovers Code. Namely, the parties to the transaction and their associates cannot vote on, appoint a proxy for, or exercise discretionary proxies on this resolution.

Resolution 2 reads ... That, for the purposes of rule 7(c) of the Takeovers Code, the acquisition of 13,679,934 ordinary shares in the Company by David (Yusuke) Sena and Tompkins Wake Trustees 2022 Limited (as trustees of the Sena Family Trust) from Eugene Hamilton Williams and TLR Williams Trustee Company Limited (as trustees of the E & Co Trust), pursuant to the Agreement for Sale and Purchase of Shares in 2 Cheap Cars Group Limited is approved.

I therefore move that resolution 2 is put to shareholders.

Is there any discussion?

[FOLLOWING ANY QUESTIONS OR DISCUSSION]

If shareholders could please cast their votes on resolution 2.

[PAUSE]

So, if you haven't already done so, webcast viewers please cast your votes. I will also then ask Computershare to collect the voting papers.

[PAUSE FOR COMPUTERSHARE TO COLLECT PAPERS]

I now declare that voting is closed.

SLIDE 18 – PROXIES

As at 10.00am Wednesday 27 September, Computershare advises that the following proxy votes had been received. With 12.86% of votes cast, and subject to verification by the scrutineers, resolution two will pass paving the way for David and the Sena Family Trust to complete the purchase of shares from Eugene Williams.

This is a significant milestone for the Company and draws a clear line underneath the tensions of the past few years. The Board and management look forward to focusing on growing the Company and the continued restoration of shareholder value.

Final verified results will be posted on the NZX later today.

Right, let's move on. The final item on our agenda is General Business:

SLIDE 19 – GENERAL BUSINESS & QUESTIONS

Are there any matters of General Business to be tabled or moved?

A reminder that any shareholder or proxy holder wishing to speak should raise their hand and please introduce yourself before asking your question.

[FOLLOWING ANY QUESTIONS OR DISCUSSION]

Are there any further questions from the floor?

I will now ask Gus to read out questions from shareholders attending online.

Gus to read questions

[FOLLOWING ANY QUESTIONS OR DISCUSSION]

Michael Stiassny

The directors will also be happy to answer questions from shareholders while refreshments are served at the end of the meeting.

Thank you.

SLIDE 20 – THANK YOU FOR ATTENDING

That brings us to the conclusion of our business today and it remains for me first, to thank you for your participation, and secondly to invite those of you here to join the Board and Management for refreshments.

I declare the meeting closed. Thank you.