

## **MTF Finance reports full year profit of \$8.2 million**

MTF Finance today reported, for the year ended 30 September 2018, that profit before commission and fair value movement was up 7.4%, to \$52.4m, as solid asset growth has flowed through into net interest margin. Commission paid to shareholder originators increased 6% to \$39.9m.

Underlying profit after tax, which removes the volatility of unrealised fair value movements, and provides a more consistent measure of company performance, increased 14.2% to \$8.3m (2017: \$7.3m).

Unrealised loss on fair value of financial instruments totalled \$0.9m, compared to \$0.4m last year, giving net profit after tax of \$8.2m (2017: \$7.5m).

Sales increased 5.5% in 2018 but was a tale of two halves. After a record breaking 2017, the first half of the year continued strongly. Demand for the non-recourse product, introduced in 2016 in conjunction with Oxford Finance, dropped in April after tighter underwriting criteria was introduced in order to improve credit quality.

Expenses have increased 15% on last year in line with planned levels, reflecting our investment in a new brand, brand awareness and resources to deliver on our strategy. Operating expense, excluding bad debt, as a percentage of assets under administration has held steady at 2.8% (30 September 2017: 2.8%).

Total assets increased 11.6% to \$748.0m, on the back of good sales. Net interest income, as a percentage of average finance receivables, of 9.3% (2017: 9.3%) was consistent with expectations and reflects the competitive pressures of the current lending market.

The MTF Finance Board approved a final dividend of 9.32 cents per ordinary share for payment on 30 November 2018. Total distribution relevant to the period will be 15.32 cents per share (2017: 13.37 cents per share) or \$3.5m (2017: \$3.1m).

MTF Finance is aware that consumer demand for continuous technological innovation is strong in the financial services sector. A customer focused approach, coupled with a business model targeting new opportunities for growth, will be employed to help service this demand in the next financial year.

The MTF Finance franchise network remains the company's strongest performer with sales up 10% during the year, as initiatives to widen the scope of the company's traditional consumer market have started to produce positive results. Expectations for this channel remain high with a number of growth initiatives due to commence in early 2019.

An exclusive arrangement with Trade Me Motors promoting MTF Finance through private vehicle listings is currently being piloted in Canterbury and is expected to be rolled out nationwide early in the new year.

The company's traditional dealer market has declined slightly. Market research carried out mid-year reaffirmed the high regard dealers have for the MTF Finance brand. This research provided valuable insights as to where efforts should be focused in order to regain market share.

Originators play a vital role in the building of MTF Finance as a progressive and agile company. MTF Finance's ongoing commitment to this partnership ensures seamless delivery of tools and products that enable them to meet and exceed customers' expectations and further grow the company.

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### **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 \$750m, 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.