

# Media & Broker Presentation

27 February 2007



Pyne Gould Corporation

**Interim Results to 31 December 2006**

# Agenda

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- **PGC Performance and Highlights**

**Sam Maling (Chairman)**

- **Individual Business Performances**

**Brian Jolliffe (Managing Director)**

- **Financials**

**Alan Williams (Chief Financial Officer)**

- **Summary and Outlook**

**Sam Maling**

- **Questions**

# Annual Highlights

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- Operating profit up 11.3% to \$14.5m (last year \$13.0m)
- Interim dividend increased to 9cents (last year 8cents + 1cent special)
- A record net profit for MARAC of \$12.6m
- A satisfactory result from Perpetual Trust of \$1.4m
- Contribution from PGG Wrightson of \$2.9m

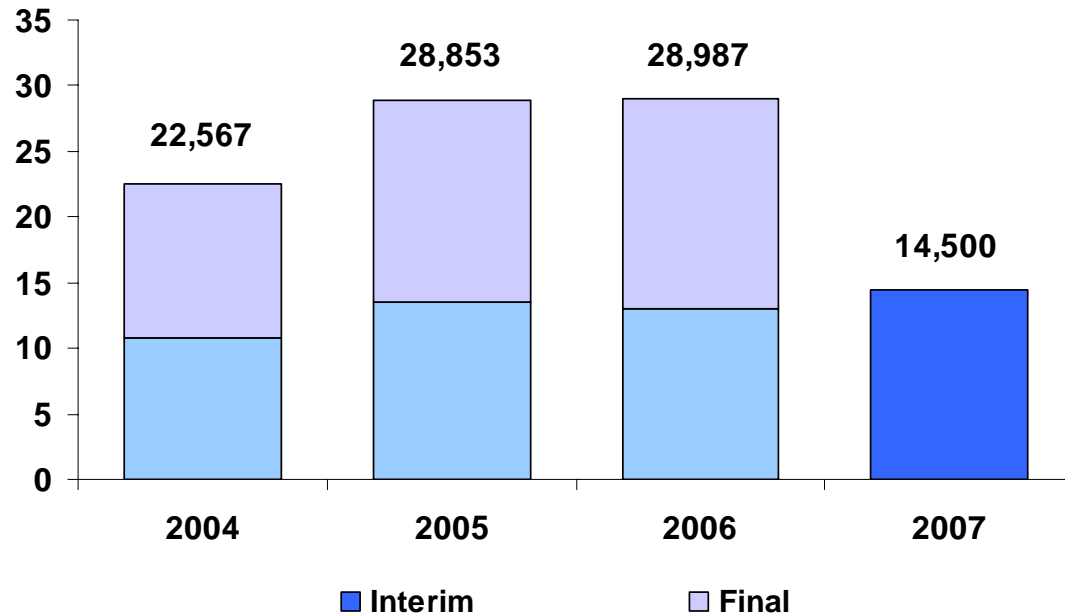


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# Financial Result

- Operating surplus before abnormals \$14.5m (\$13.0m)
- Net profit after tax of \$14.5m (\$50.3m which included abnormal \$37.3m)

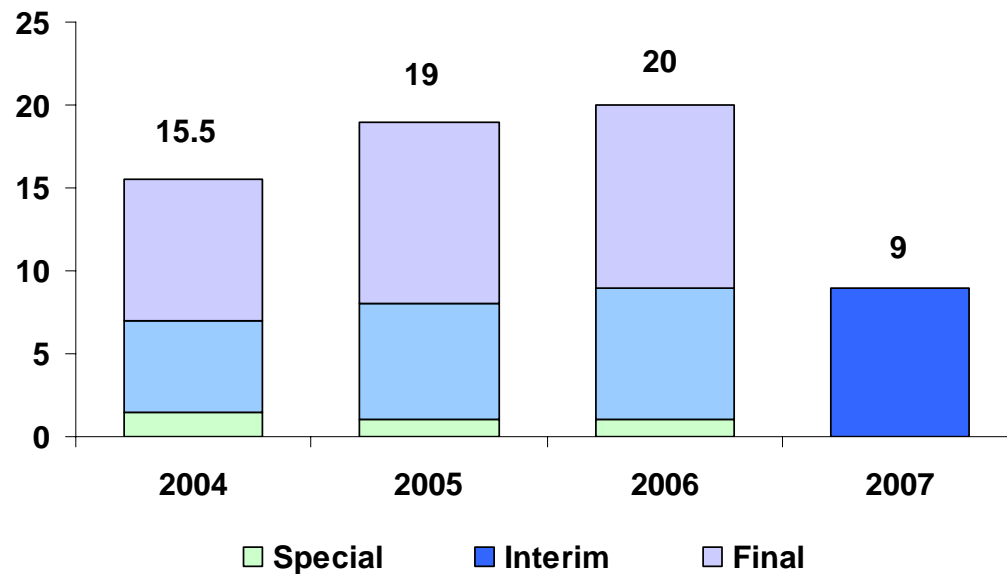
## Net Profit After Tax (and before abnormal items) (\$m's)



# Dividend

- Interim dividend of 9cps
- Fully imputed

**Dividend per share**  
(includes special)





**MARAC**<sup>®</sup>  
MEANS FINANCE

# MARAC Finance

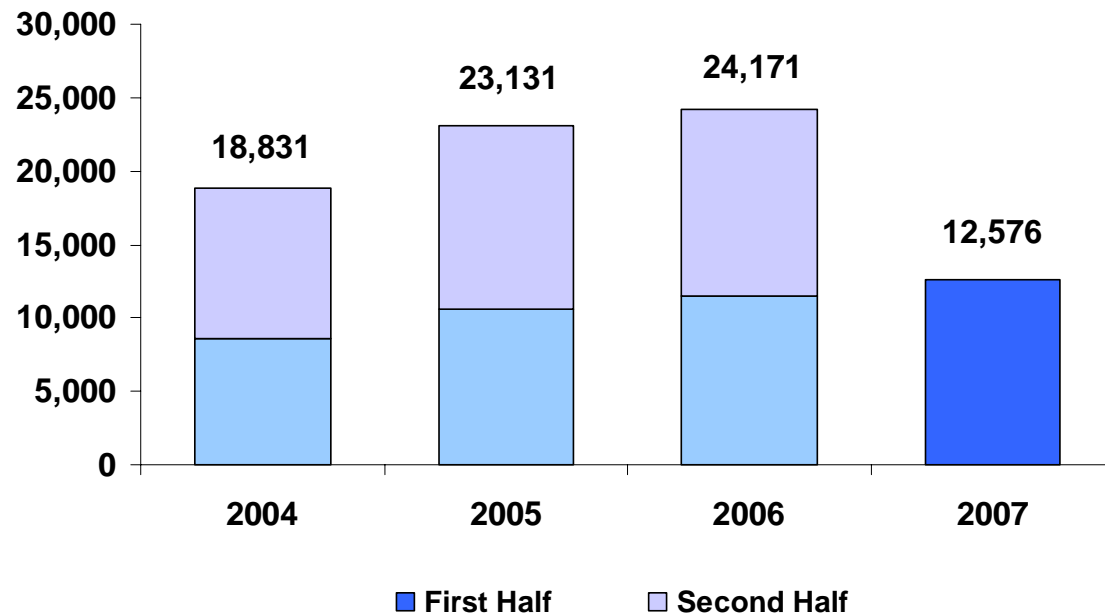
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- Record net profit after tax up 10% to \$12.6m
- Finance receivables up 3% to \$1.2bn in the 6 months
- Impaired asset expense a low \$0.6m
- Significant investment undertaken in new growth initiatives

# Net Profit After Tax

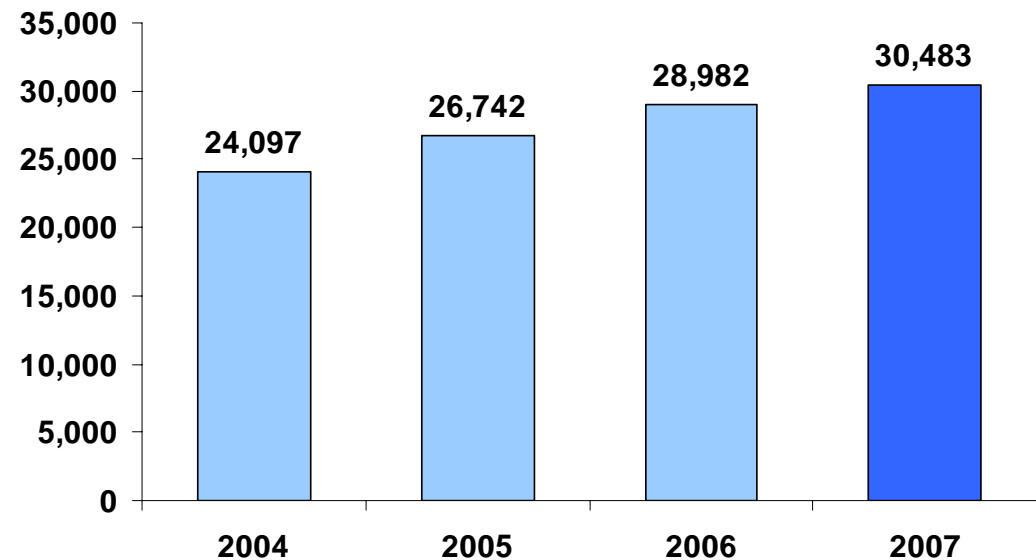
- Up 10% to \$12.6m
- Net operating revenue growth of 5%
- Cost increases for new initiatives

## Net Profit After Tax (\$000's)



# Net Operating Revenue

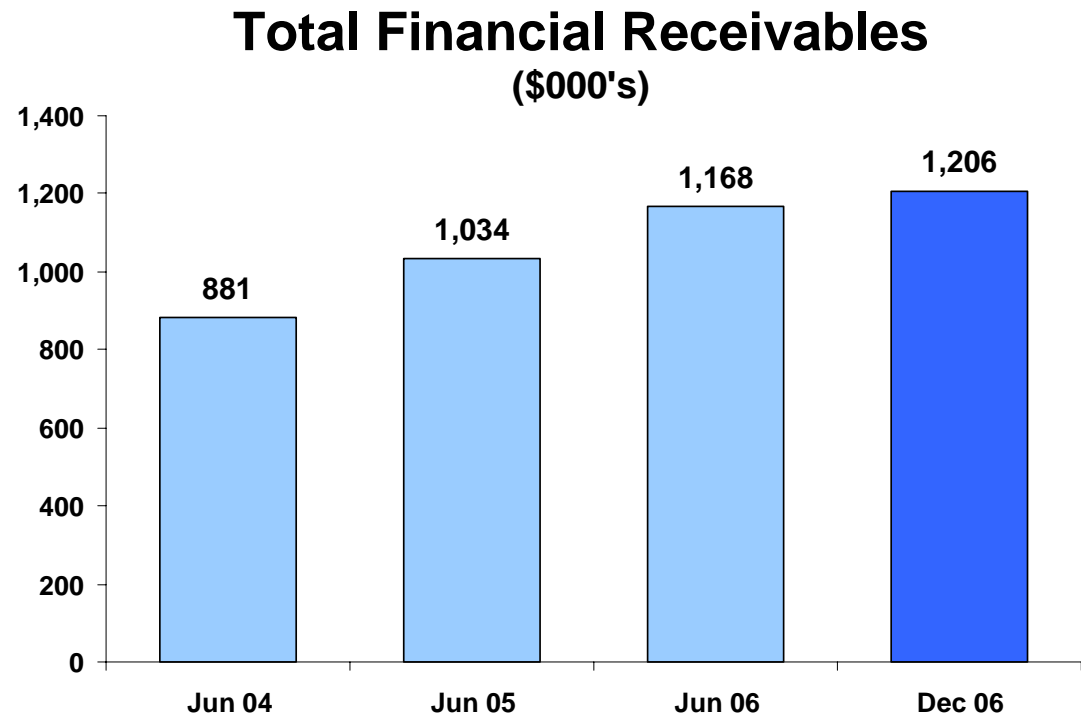
**First Half  
Net Operating Revenue  
(\$000's)**



- Up 5% to \$30.5m
- Margins remain under pressure

# MARAC Finance Receivables

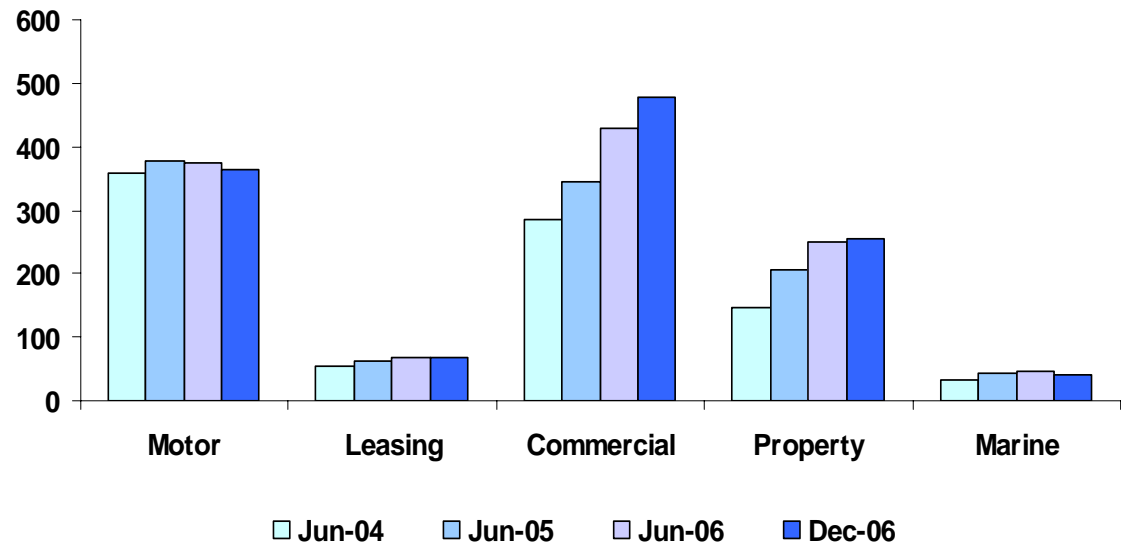
- Up 3% to \$1.2bn in the 6 months



# MARAC Finance Receivables

- Growth focus continues in Commercial

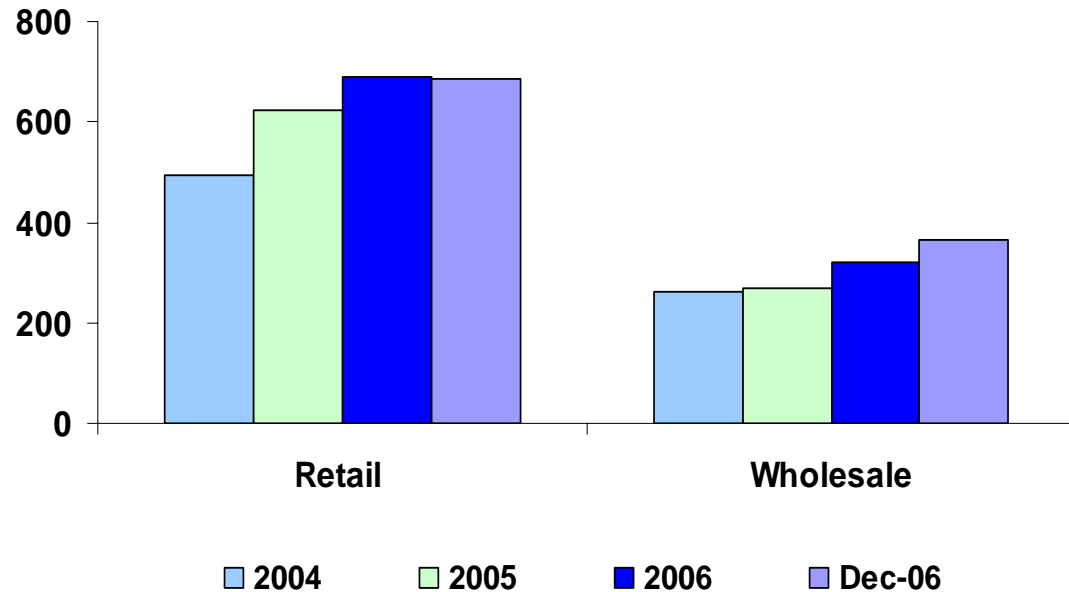
Receivables Growth  
(\$000's)



# Funding Growth

- Customer loyalty and differentiated offering (Standard & Poor's)
- Strong broker support continues

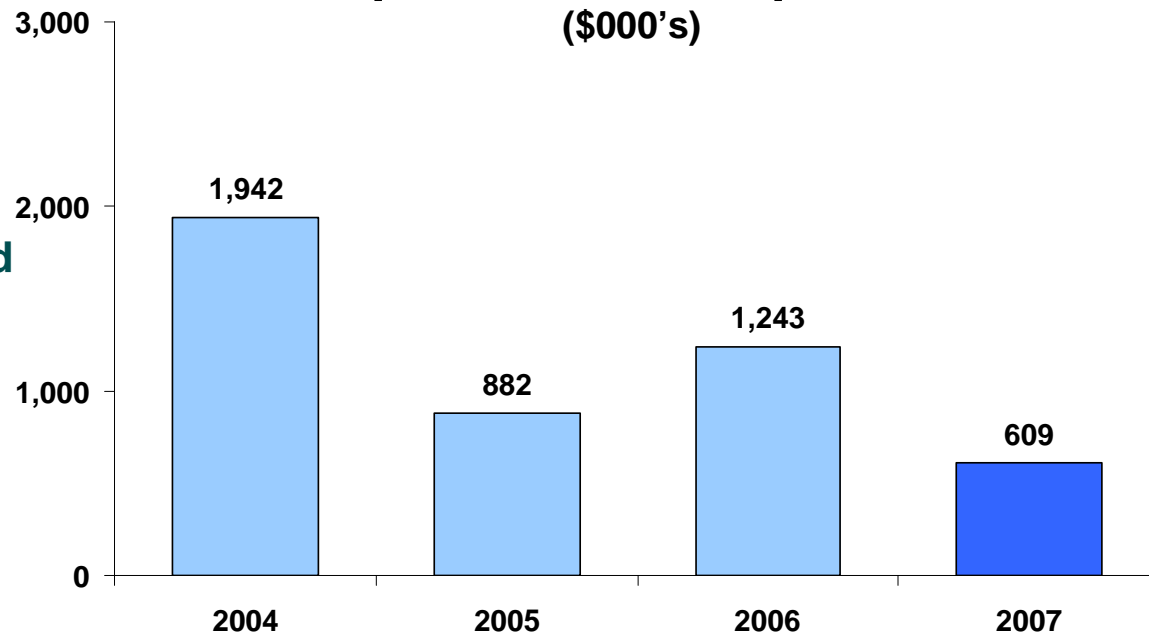
**Funding Growth**  
(\$000's)



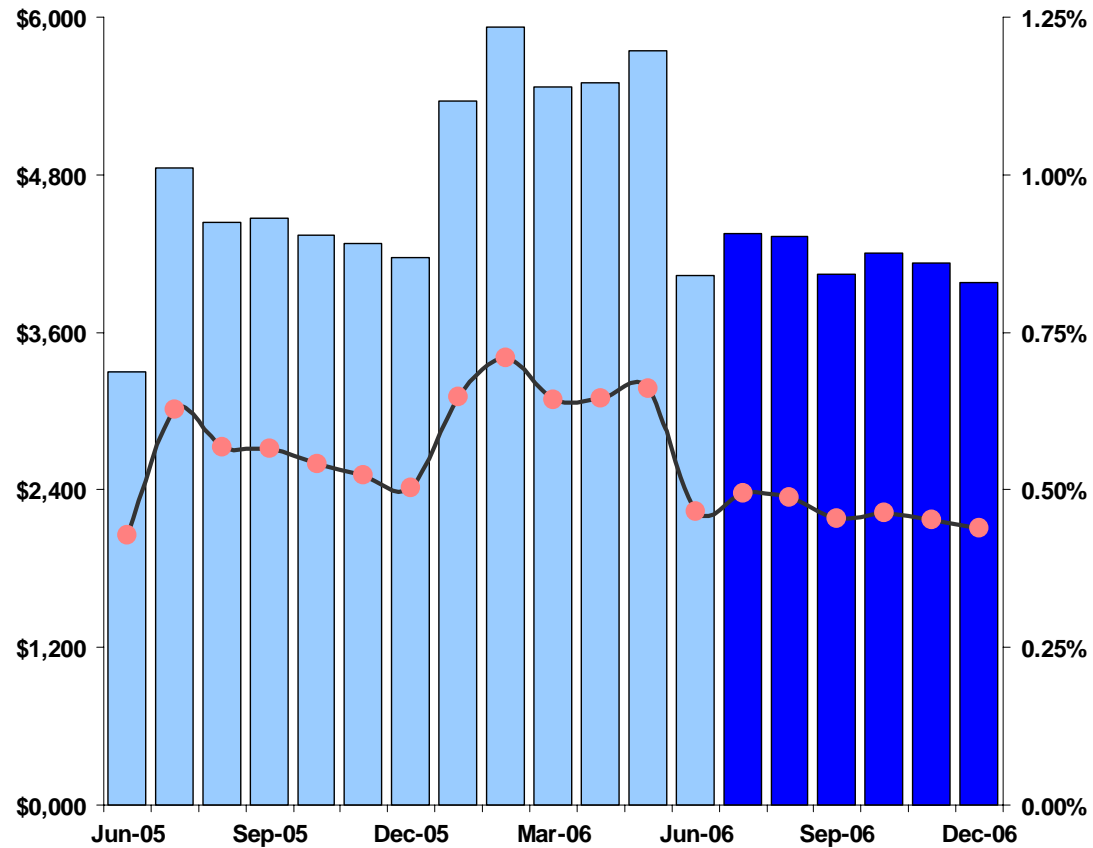
# Impaired Asset Expenses

## First Half Impaired Asset Expenses (\$000's)

- Credit quality focus continues
- First half impaired asset expense \$0.6m
- Arrears position below 0.5%



# Credit Arrears – All Divisions



(Excludes – Wholesale & Property Exposures)

# New Business Initiatives in the Half Year

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- **Kiwibank**
- **ACP Media's "Autotrader"**
- **Ascend Finance**

# Kiwibank

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- **Commercial referral model**
- **“Kiwibank Vehicle Finance”**
- **November 2006 commencement**
- **Early business volumes encouraging**

# ACP Media's Autotrader

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- **November 2006 commencement**
- **Online offering of finance and insurance**
- **Significant IT investment**
- **Promotion commencing now**
- **Early “proof of concept” encouraging**

# Ascend Finance

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- **New division of MARAC**
- **Commenced 1<sup>st</sup> February 2007**
- **Aimed at higher return commercial, consumer and property**
- **Staffed initially by 11 experienced personnel**
- **6 Representative offices established on launch**
- **Investment significant in the second half**

# MARAC Current Business Position

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- **Growth patterns follow recent trends - Commercial**
- **Credit quality remains sound**
- **Significant initiatives implemented with some short term cost**
- **Broadening the businesses through organic growth strategies a feature of strategy**



Perpetual Trust

# Perpetual Trust Limited

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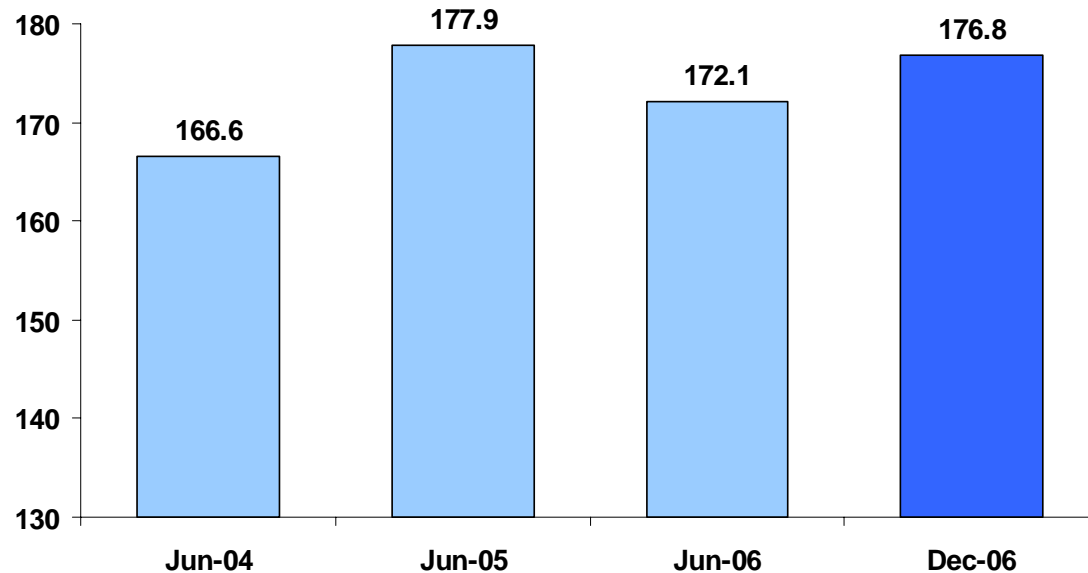
- Net operating surplus of \$1.4m down slightly on \$1.5m last year
- Revenue growth a steady 5%
- Operating costs increased to position for growth
- Mortgage Express (60%) sold



# Perpetual - Personal

- Revenues up 5%
- Mortgage fund continues to grow

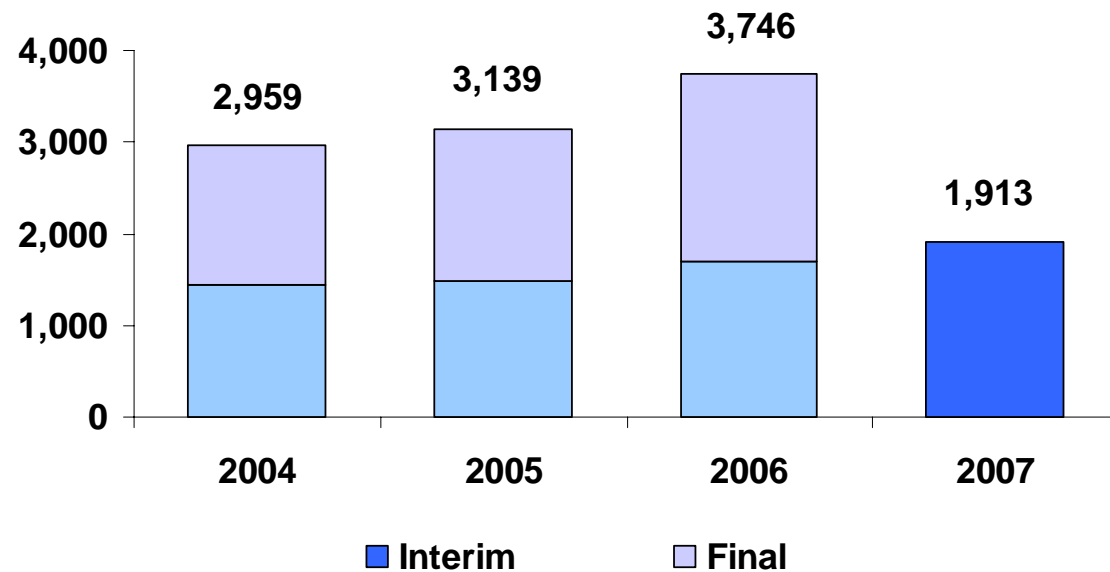
## Mortgage Fund Growth (\$000's)



# Perpetual - Corporate

- Revenue up 13%

## Corporate Trust Revenue (\$000's)



# Initiatives in the Half Year

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- **Managed funds rationalised and two new funds launched**
  - **Aria Fund – Aimed at charities**
  - **NZ/Australia Share Fund**
- **Senior Management team announced**
  - **John McFetridge – Personal**
  - **Charlie Goodwin – Funds**
  - **Matt Lancaster – Corporate**



# Perpetual – Current Business Position

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- **Business is in sound shape – with increasing revenues**
- **Strong client base across the business**
- **Positioned for tax changes in funds business**



The logo for PGG Wrightson features a stylized graphic of two curved lines, one blue and one green, above the company name. The name is written in a bold, italicized, blue sans-serif font.

***PGG Wrightson***

# PGG Wrightson Limited

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## Interim Result Announced – 26<sup>th</sup> February

- Net profit after tax \$12.9m (\$5.0m last year)
- Rural contribution to PGC \$2.9m (\$2.3m last year)
- More difficult operating environment
  - High New Zealand dollar
  - Lower farmer confidence
  - Pressure on margins
- Focus on performance improvement and growth



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# PGC Financials

- Financial Results
- Key ratios and statistics
- Sale of Mortgage Express
- IFRS Implementation

	6 months to 31-Dec-06 \$000	6 months to 31-Dec-05 \$000	12 months to 30-Jun-05 \$000
<b>Net profit after taxation</b>			
MARAC Finance Limited	12,576	11,444	24,171
Perpetual Trust Limited	1,414	1,455	2,623
PGG Wrightson Limited	2,864	2,275	6,693
Other Operations	(2,335)	(2,132)	(4,500)
<b>NPAT before Abnormals</b>	<b>14,519</b>	<b>13,042</b>	<b>28,987</b>
Abnormal gain	-	37,329	37,329
<b>Net profit after taxation</b>	<b>14,519</b>	<b>50,371</b>	<b>66,316</b>

# Net Profit After Tax

(excluding abnormal items)

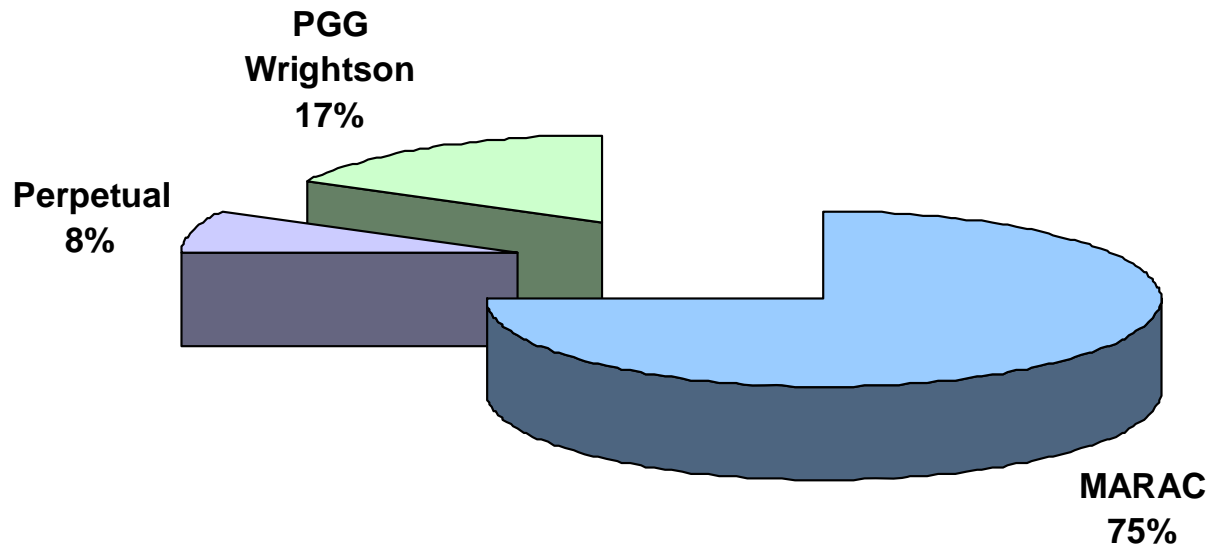
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- Net profit after tax performance up 11% on same period last year
- All subsidiaries performing strongly
- Rural contribution up 26% on same period last year

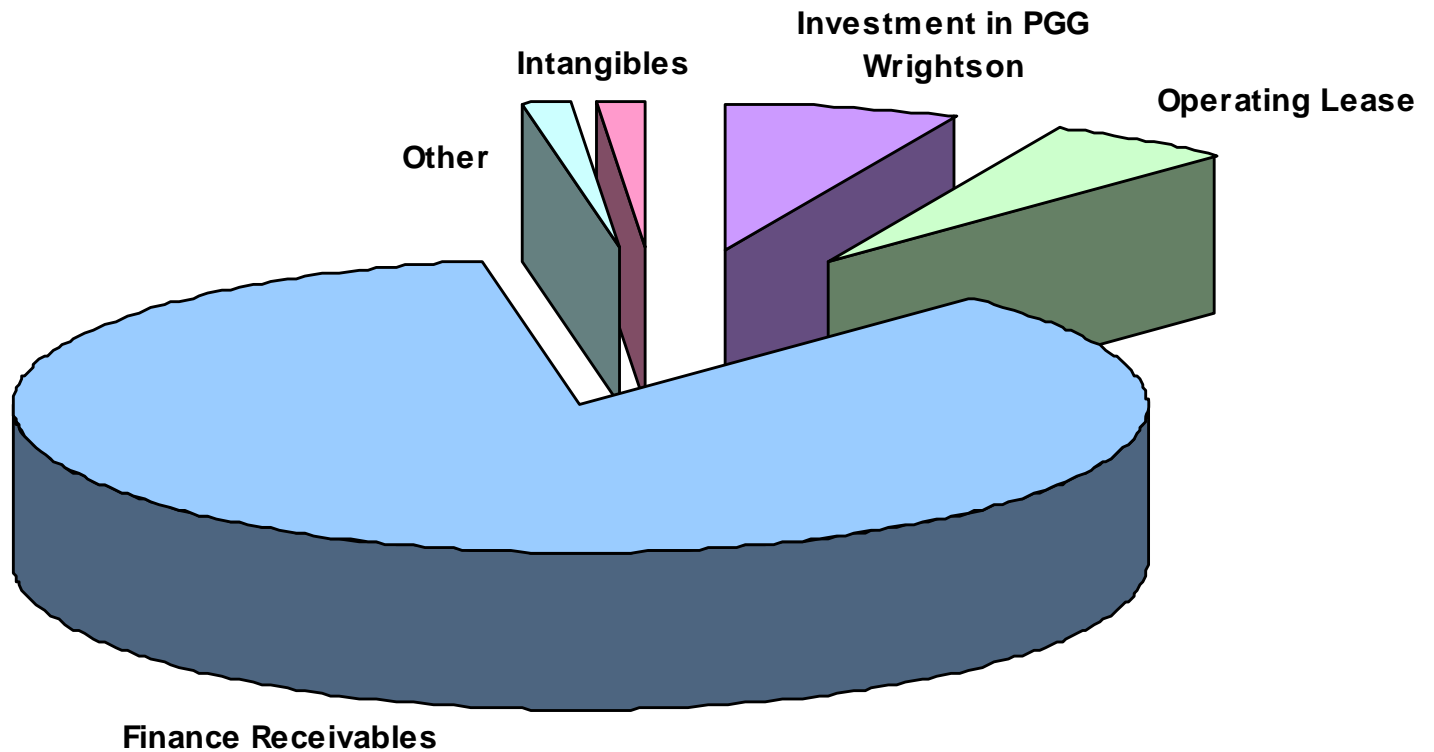
# Net Contribution

(excluding abnormal items)

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# Total Asset Base



# Mortgage Express

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- Mortgage Express purchased in 2002 to provide additional introducer channel to Perpetual Trust
- PGC recognised just under \$1m of profits 2002-2006
- Market changes meant holding was no longer strategic
- 60% shareholding in Mortgage Express sold to Harcourts for \$2.3m in September 2006
- Sale was made at marginally above PGC's book value

# IFRS Implementation

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- PGC will adopt at June 2008
- Actively managed project has been in progress over last 18 months
- KPMG advice sort on technical issues
- Three key issues:
  - Recognition of fee income & brokerage costs in MARAC
  - Treatment of intangibles
    - MARAC brand
    - MARAC goodwill
    - Perpetual statutory right
  - Implementation of Dynamic Provisioning in MARAC
- Capability for dual reporting for 2007



Pyne Gould Corporation

# Summary – Pyne Gould Corporation

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## **MARAC**

- **Growth continues in line with previous periods**
- **Significant investment in new broadening initiatives**
- **Cost increases from initiatives being absorbed this year**

## **Perpetual**

- **Revenue growth expected to continue**
- **Positioned for further growth**

## **PGG Wrightson**

- **Continuing difficult operating environment**
- **Focus on performance improvement and growth**

**Full Year Outlook – In line with previous year**



Pyne Gould Corporation