The Colonial Motor Company Limited

CHAIR'S ADDRESS TO THE 108TH ANNUAL MEETING

Ladies and Gentlemen,

Financial Results

Looking back at the last financial year to 30 June, it is pleasing to stand here today on behalf of the CMC Board and Management having delivered what was a hard fought and solid result in a challenging and changing market.

Trading profit after tax and the dividend for the year were ahead of the 2025 financial year. That profit was up nearly 5%, at $18.7million and the Company paid a 40 cent fully imputed dividend for the year. This was at the top end of the Company's dividend policy of distributing up to 70% of the post-tax trading profit.

What is equally important as the profit achieved and the dividend paid is that, at a time the industry faces generational change, the Company's balance sheet is in a strong and healthy position.

On behalf of the Board, I would like to thank Alex and his Management Team, alongside all of the people who work at our Dealerships across the country, for what they achieved in the 2026 financial year.

The whole Team faces what may prove to be an even greater challenge in 2027.

Dividend Policy

A Shareholder recently contacted me to question the Board's dividend policy, implying our "lazy balance sheet" should be utilised to increase dividends.

Before I get to my response, it is important to understand some of the fundamental realities this Company manages, as predominantly an operator of automotive franchise dealerships.

First, we do not own these brands. The reality of operating franchise businesses like ours is the need to re-invest capital to maintain facilities and the brand's image – this is the ongoing price of being part of the franchise 'club'.

On top of that is a need to maintain flexibility, for working capital and bailment facility requirements, in a volatile global trading environment.

Now add the need to maintain our existing asset portfolio for the franchise operations across light and heavy vehicles and to also establish facilities for new franchise relationships.

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These all come with their own capital requirements and you can therefore start to appreciate the careful balancing act that is faced at an operational and capital funding level.

So, my response to the Shareholder's question was a polite 'no'.

Distributing up to 70% of trading profit after tax maintains a balance between paying a healthy dividend and supporting existing operations, while always leaving sufficient funding to maintain and grow future earnings.

By design, CMC values operating with a conservative balance sheet, favours owning strategically important property, which requires a long-term view. We are not looking to 'bet the ranch' or chase growth in an effort to just be 'big'. We always invest capital to increase earnings that support your dividend in the long term.

Once again, I congratulate Alex and his Team for responding to this challenge by cleverly re-cycling our capital into more productive facilities. The most recent example is the Christchurch BYD investment that is currently underway.

The Team is regularly having to make the hard calls around funding investments for future representation requirements. Capital re-cycling is something you will hear more about from the Company as we look to meet our need to evolve into the future.

Geo-political Environment

Having a sound strategy that carries the Company forward is critical to supporting the long-term financial health of the business.

The Middle East conflict and its impact on the price of fuel, diesel in particular, was a major disruptor of our business in the second half of the last financial year and that continues. We could not be expected to predict a conflict of the nature we are experiencing and the resulting impacts on vehicle demand.

There has been a seismic shift in vehicle demand patterns because of the fuel price increases and as a result, demand for new energy vehicles has surged.

While demand continues for diesel Utes and SUVs, as would be expected, they are not seeing the market share they enjoyed when fuel prices were more palatable. This presents a challenge for many of our dealerships and brand partners that have successfully operated in this space for an extended period of time.

New Energy Vehicles have been finding strong favour with buyers and are driving the solid growth in the total new light vehicle market. While this will inevitably settle down from the initial surge in demand, I am of the view that this is a market dynamic that will continue now that NEVs have, for the most part, overcome the range anxiety issues that plagued earlier models.

Evolving Automotive Landscape

Let me quote to you from my address last year:

"The arrival of many new Chinese sourced brands and products in the light vehicle market is a continuing 'feeding frenzy'. These brands are all looking for property and facility representation and make no mistake, many of these are very good products, are value for money and the best will survive and thrive, but there will be casualties. They cannot all survive in a small vehicle market like New Zealand."

I further said:

"There is an air of certainty that we will need to occupy a place in the Chinese sourced market. A second outcome would be our existing brand partners continue to adapt, evolve and rise up to meet the market's evolution and the opportunities new technologies bring."

End quote.

They say a year can be a long time in politics and so it is in the New Zealand automotive market. The Company has been very busy in this new world order, but where did it all start.

As part of our annual strategic planning cycle, the Board and Management had for some years identified China as a significant potential disrupter at all levels of the global automotive market.

We felt strongly that, if only for our part of the globe, China would be another supply base for vehicles in our region. Initially we had seen the arrival of MG and Great Wall Motors in New Zealand – not great product in those early years but cheap.

Being a global brand, Ford was actively operating in China and we surmised they would eventually diversify their vehicle manufacturing base for Australasia. That strategy has taken some time to be realised, but is now taking shape with the announcement of the Ford Transit City Van and Ford Bronco coming in 2027.

Mazda has leveraged its 'Changan Mazda' joint venture to bring to market new EVs - the Mazda 6e is an example of one that has won a global design award. The Mazda 6e is a superb product and, in my view, the best-looking EV on the market today.

It is good to see two of our major brand partners taking strategically important steps and adapting to the rapidly evolving market, both in terms of new vehicles and diversification in their manufacturing capabilities. We encourage them to keep the accelerator down.

This is important, as it supports our dealers to remain competitive in our region.

With battery technology on the rise, it was clear new brands would enter the market to challenge the status quo. However, I am not sure anyone predicted the sheer volume of new entrant brands we are currently experiencing – the flood gates have truly opened.

Three things are a near certainty moving forward:

1. vehicles with a battery of some form will now occupy significant market share;

2. the value equation has shifted and every brand will need to evolve their model range to remain competitive; and

3. the New Zealand market is unlikely to be able to sustain every brand in the long-term, so there will be consolidation in the future.

How then do you steer a traditional automotive retail organisation like The Colonial Motor Company through this rapidly changing external world of brands and international players.

Our strategic process was cautious – watch and learn everything we could about the Chinese industry, identify the key players, who owned who and where did all the brands fit into the puzzle.

In our local retail environment, who was aligning with which brands and where were the investments being made in terms of representation.

Whatever decisions were needed, we resolved to remain focused on what we are good at – retailing new vehicles and running dealerships. We also remain mindful of respecting our long-term commitments to our existing brand partners, while at the same time not being afraid to take the tough decisions when necessary.

We are today where we set out to be strategically more than five years ago. We have entered the light truck market with Chinese sourced electric and diesel JAC trucks. We are gradually building traction after a slow start and against a difficult market environment.

We have secured a significant relationship with Ateco and the BYD brand in Christchurch and in other regional locations. There are other significant projects Alex and the Team are working on but he tells me I cannot talk about them today.

All of this doesn't just happen; it does not just fall into your lap. Alex and his Team are navigating the Company through substantial change, negotiating new relationships and winning significant representation opportunities via contested processes. Strategically, we collectively set out a road map and the Management Team is bringing it to reality.

Change doesn't come easy and the trading environment we operate in is complex, uncertain and the market we are in is extremely competitive. Our industry is evolving quickly and we cannot avoid all of its headwinds. As result, life going forward is expected to continue to be very tough.

Farewell
As you know, this is my last Annual Meeting as a Director and as Chair of the Company.

All I want to say about that is, it has been an honour and a privilege to have been entrusted with those responsibilities.

This Board has been by far the most rewarding I have ever served on, and that is due to the people I've had the privilege to serve with at Board and Management level.

I wish the Company all the very best for the future. I know Alex and the Team will go on to bigger and better things for CMC as they weather the storms and ride the waves of success as the Company has done for the 108 years to date.

Thanks

Ashley Waugh
Retiring Chair
The Colonial Motor Company Limited

6 November 2026