



**COMBINED MOTOR  
HOLDINGS LIMITED**

**PRESENTATION  
TO ANALYSTS 2019-2020**



## Combined Motor Holdings Limited

(Registration number: 1965/000270/06) (Share code: CMH) (ISIN: ZAE000088050) ("the Company" or "the Group")

### GROUP FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 29 FEBRUARY 2020

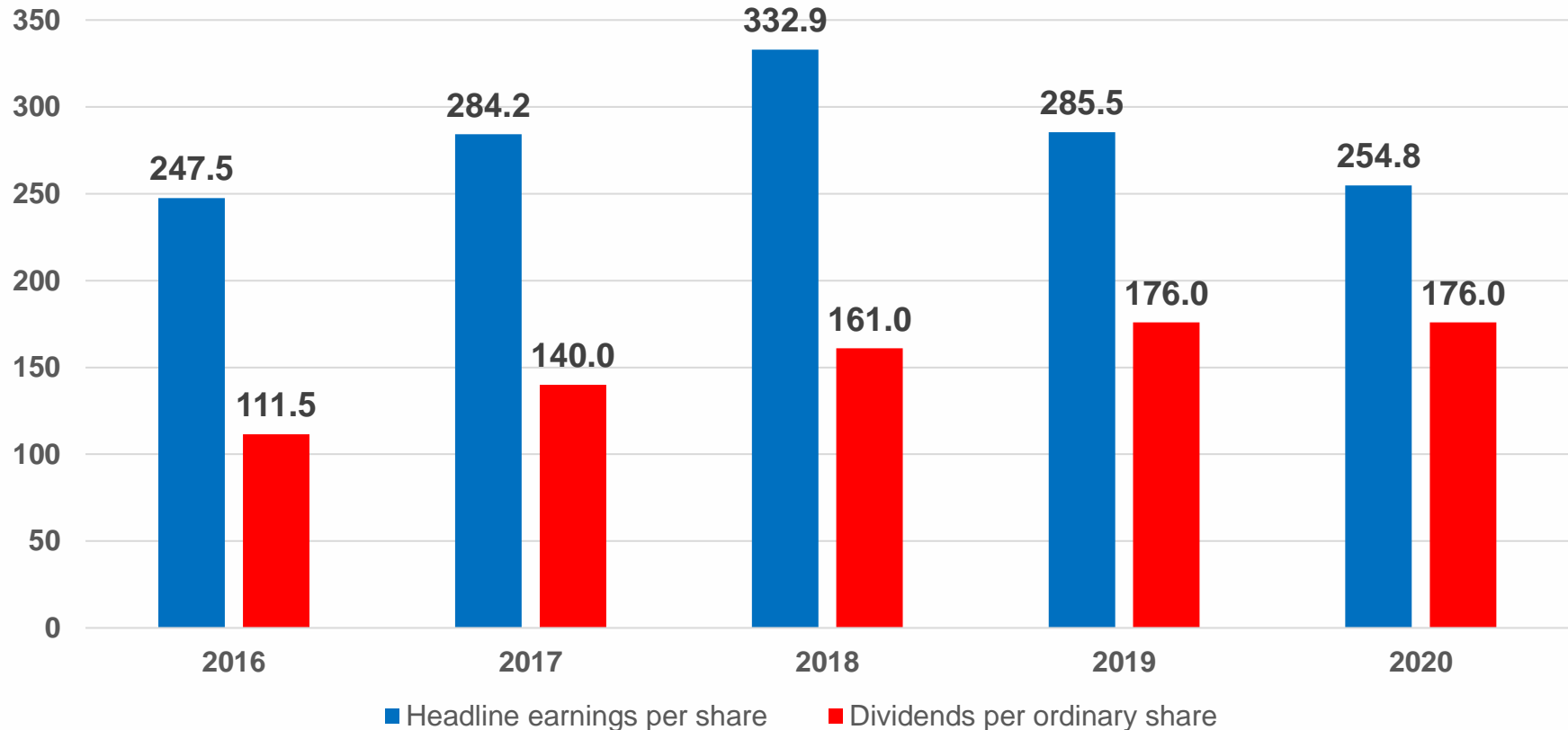
		2020	Restated 2019	Change %
Total assets	(R'000)	3 650 301	3 591 076	1,6
Cash resources	(R'000)	659 622	675 966	(2,4)
Net asset value per share	(cents)	1 090	1 010	7,9
Revenue	(R'000)	11 156 167	11 154 757	–
Operating profit	(R'000)	417 280	449 384	(7,1)
Net profit attributable to ordinary shareholders	(R'000)	190 519	213 373	(10,7)
Return on shareholders' funds	(%)	24,3	29,7	(18,2)
Basic earnings per share	(cents)	254,7	285,3	(10,7)
Headline earnings per share	(cents)	254,8	285,5	(10,8)
Dividends paid per share	(cents)	176,0	176,0	–
Dividend declared	(cents)	0,0	115,0	(100,0)

# HEADLINE EARNINGS AND DIVIDENDS PER SHARE

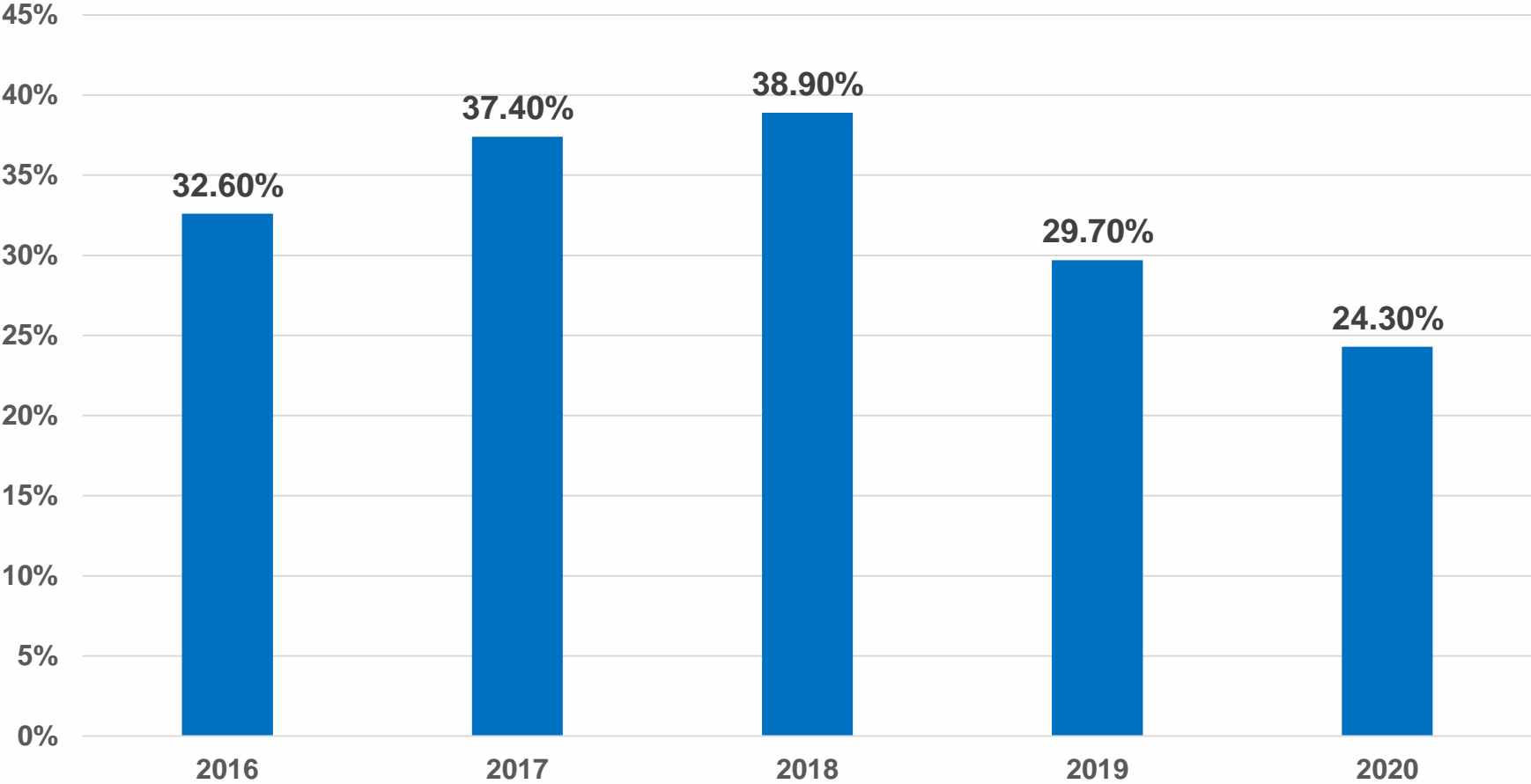


## IFRS 16

- 2019 HEPS reduced by 20 cents per share
- 2020 HEPS reduced by 14 cents per share



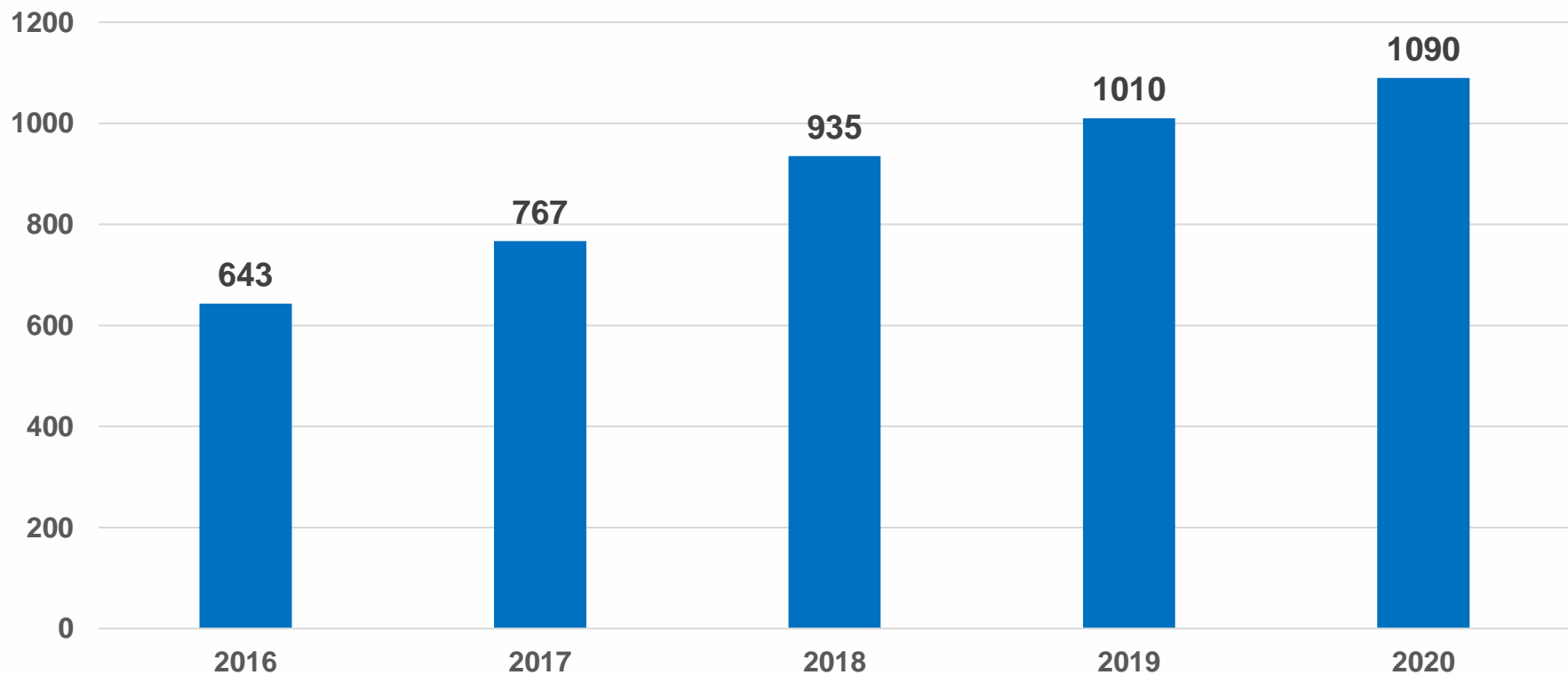
# RETURN ON SHAREHOLDERS' FUNDS (%)



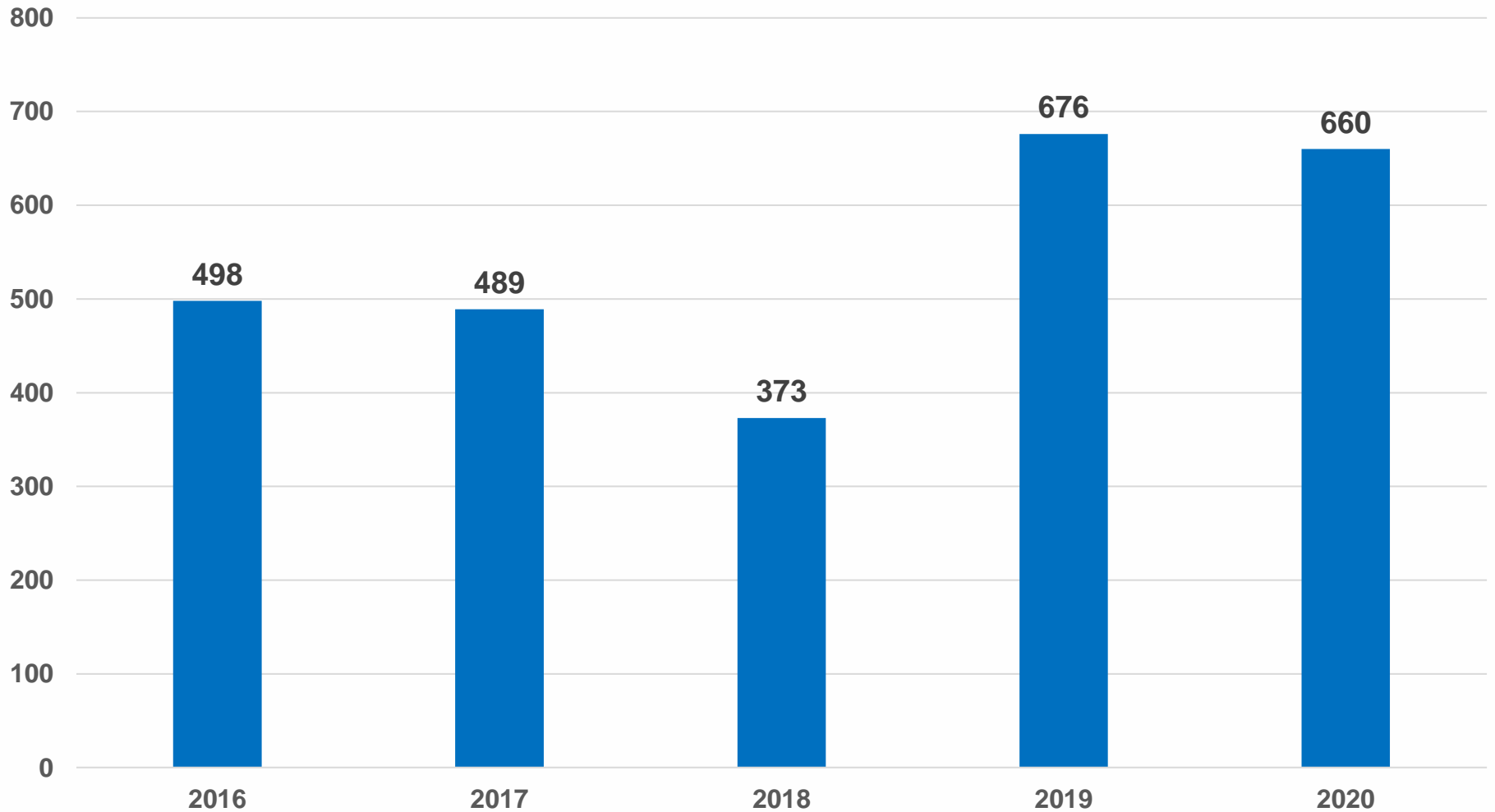
# NET ASSET VALUE PER SHARE (cents)



- Once-off IFRS 16 reduction of 42 cents per share between 2018 (22 cents) and 2019 (20 cents)



# CASH RESOURCES (R'million)

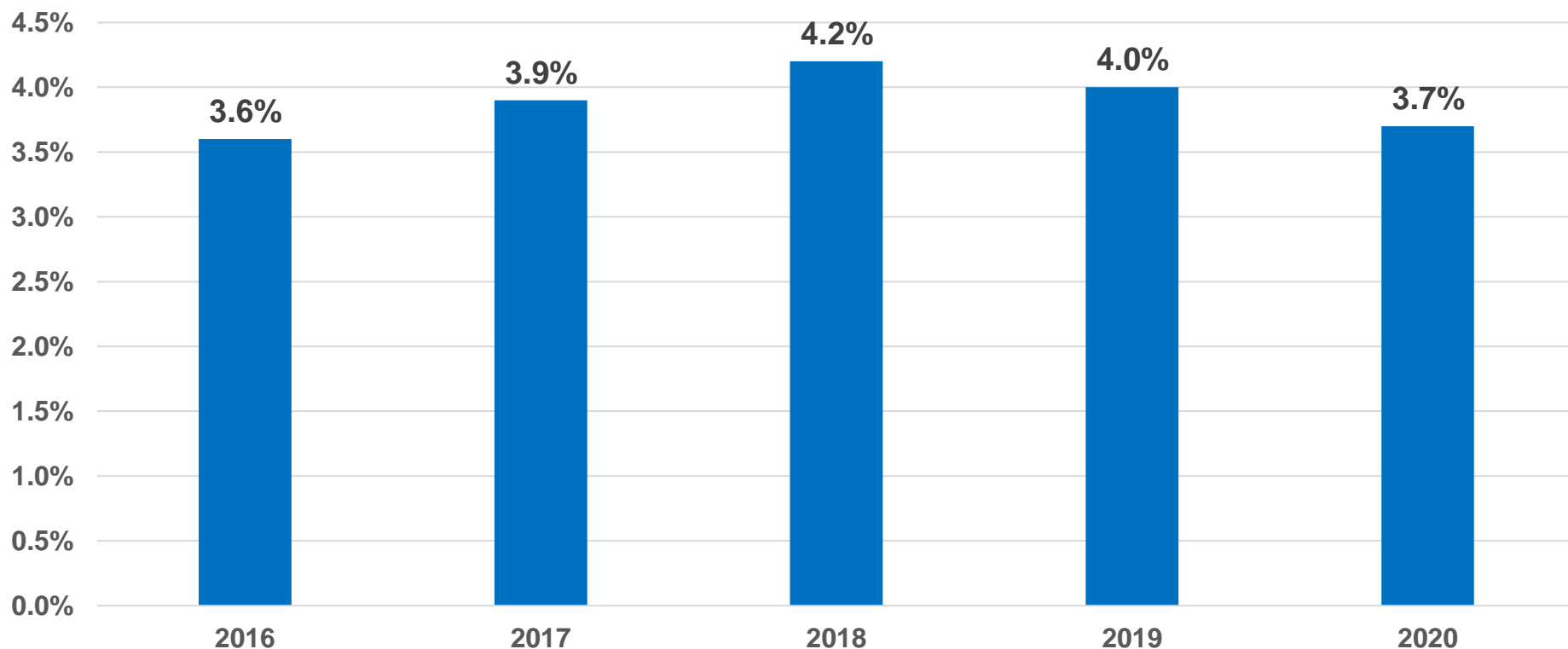


# OPERATING MARGIN



## IFRS 16

- 2019 Operating margin reduced by 0.3%
- 2020 Operating margin reduced by 0.25%



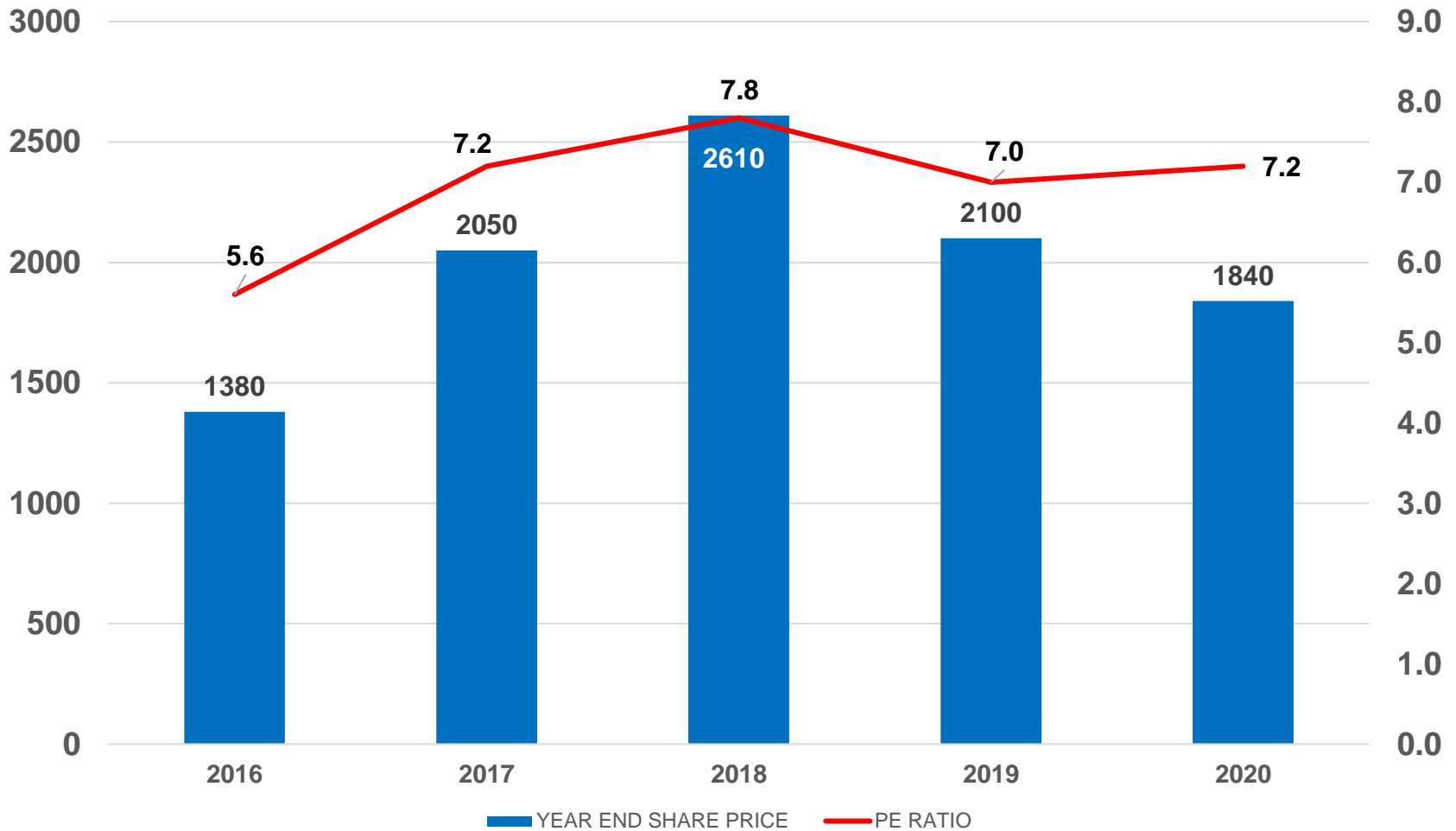
# CMH SHARES TRADED



	<b>Years ended 28 February</b>				
	<b>2020</b>	2019	2018	2017	2016
<b>Volume of shares traded ('000)</b>	<b>9,147</b>	11,900	15,924	11,977	24,319
<b>Value of shares traded (R'000)</b>	<b>191,500</b>	323,364	383,281	206,038	396,872
<b>Average price per share traded (cents)</b>	<b>2,093</b>	2,717	2,407	1,720	1,632
<b>Year-end market price (cents)</b>	<b>1,840</b>	2,100	2,610	2,050	1,380
<b>Market capitalisation (R million)</b>	<b>1,376</b>	1,570	1,952	1,533	1,032
<b>Year-end price : earnings ratio</b>	<b>7,2</b>	7,0	7,8	7,2	5,6
<b>Year-end dividend yield (%)</b>	<b>9,6</b>	8,4	6,2	6,8	9,5
<b>"Free-float" shares ('000)</b>	<b>42,238</b>	42,252	42,427	42,529	42,850
<b>"Free-float" (%)</b>	<b>57</b>	57	57	57	57



# YEAR-END SHARE PRICE AND PE RATIO



# SEGMENT PROFIT CONTRIBUTION



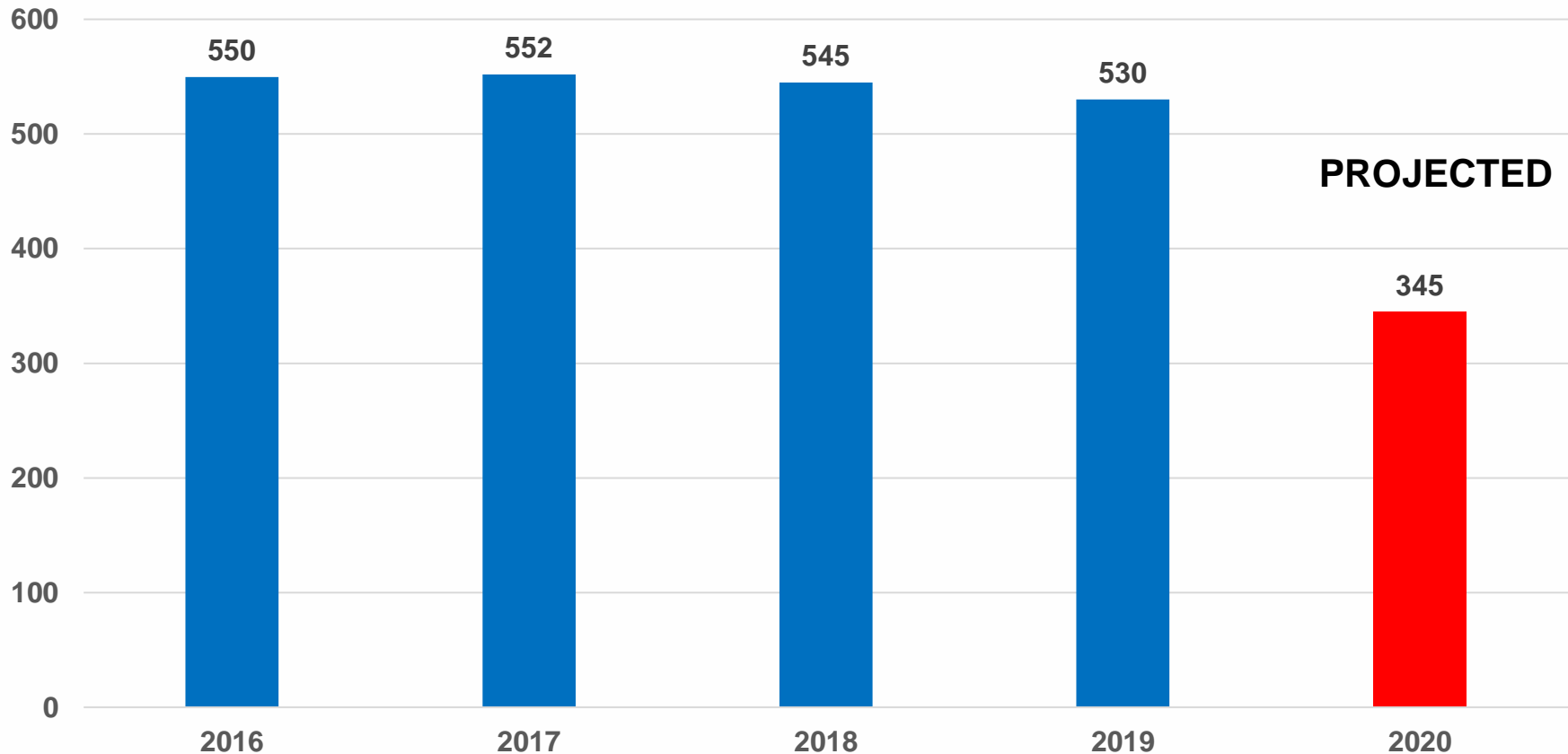
	<b>2020</b> %	2019 %	2018 %	2017 %	2016 %
Retail motor	<b>57</b>	65	70	65	66
Car hire	<b>17</b>	16	19	21	18
Financial services	<b>17</b>	13	10	12	14
Corporate services / other	<b>9</b>	6	1	2	2
	<b>100</b>	100	100	100	100

# INDUSTRY NEW VEHICLE SALES

## SALES ('000 UNITS) - CALENDAR YEAR

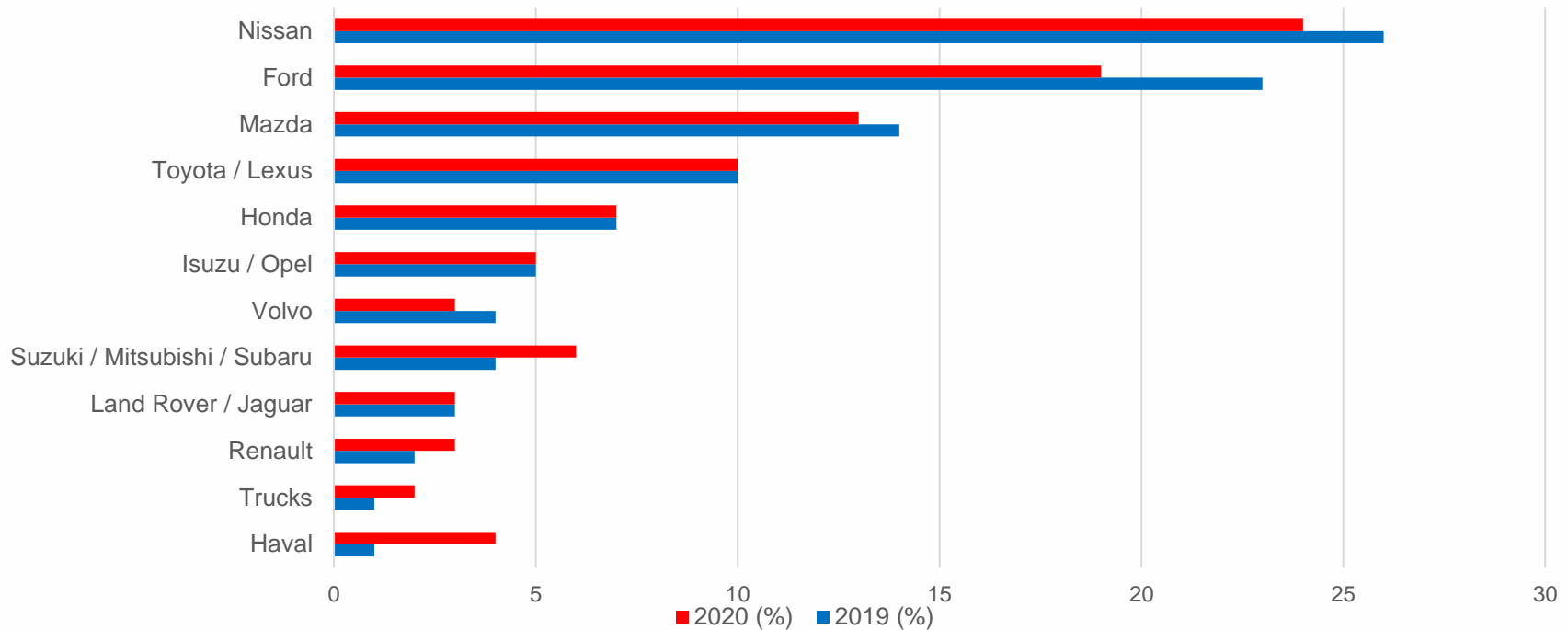


- National vehicle sales - decreased 3.0%
- CMH vehicle sales - decreased 7.0%



# SEGMENT ANALYSIS – RETAIL MOTOR

## GROUP NEW UNIT SALES BY MANUFACTURER (%)



\* Compared to volume dealers Land Rover, Jaguar and UD Truck produce approximately 4 times the revenue per unit and Volvo 2 times the revenue per unit.

## 1. Macro

- Low economic growth
- Peak time load-shedding
- Unfavourable currency rates
- Negative sentiment

## 2. CMH and motor industry

- National new vehicle sales down 3%
- CMH sales down 7% - lagging performance by 3 of CMH's biggest volume contributors
- National used vehicle sales down 6-7%
- CMH sales up 0.9%
- 3 used car branches added
- Last 3 months particularly hard hit by load-shedding and consequent low consumer confidence
- 2 new dealerships acquired – will yield positive contribution in new year

## 3. Car Hire

- Tough and competitive environment.
- Fleet size reduced 8% - helped to improve utilization levels and reduce holding costs (interest and depreciation).
- Continued pressure on fleet resale values.
- Outlets closed / combined.
- Relocated into CMH Dealer premises wherever possible.

## 4. Financial Services

- Performed well in the flat vehicle sales market.
- Increased penetration led to 8% profit increase.
- Restructured to reduce costs.



- Group scorecard rating - level 8 to 4
- Car hire scorecard rating - level 3 to 2
- CMH First Fleet Solutions - level 3 to 2
- Both Car Hire and First Fleet have 51% black ownership
- Group scorecard adversely affected by motor manufacturers from which the majority of procurement is sourced
- Employment equity - 75% of staff are black
- Employment equity - 65% of management are black

## 1. Severe impact from the last week of March to beginning of June

- All operations closed, apart from a few emergency workshops.
- Airports/tourism closed, with car hire fleet utilization reduced from 73% to 15%. Partial opening of dealerships in late May with improvement in June when the country moved to level 3.
- Strict COVID-19 protocols put in place during lockdown together with online training of staff. All PPE equipment was secured and available in all places of business prior to lockdown ending. This ensured the fast start and maximum safety of staff and customers from day 1.



## 1. Severe impact from the last week of March to beginning of June (continued)

- Maximize take home pay of staff
  - Payment in lieu of leave.
  - Allowing negative leave to be accumulated.
  - Assisting employees with contributions to medical aid / pension schemes.
  - Claiming and paying to staff, the UIF and TERS benefits available.
- Transparent communication with staff to keep them abreast with all developments in the COVID-19 crisis.
- Set up numerous WhatsApp groups to keep staff as positive as possible during this difficult period

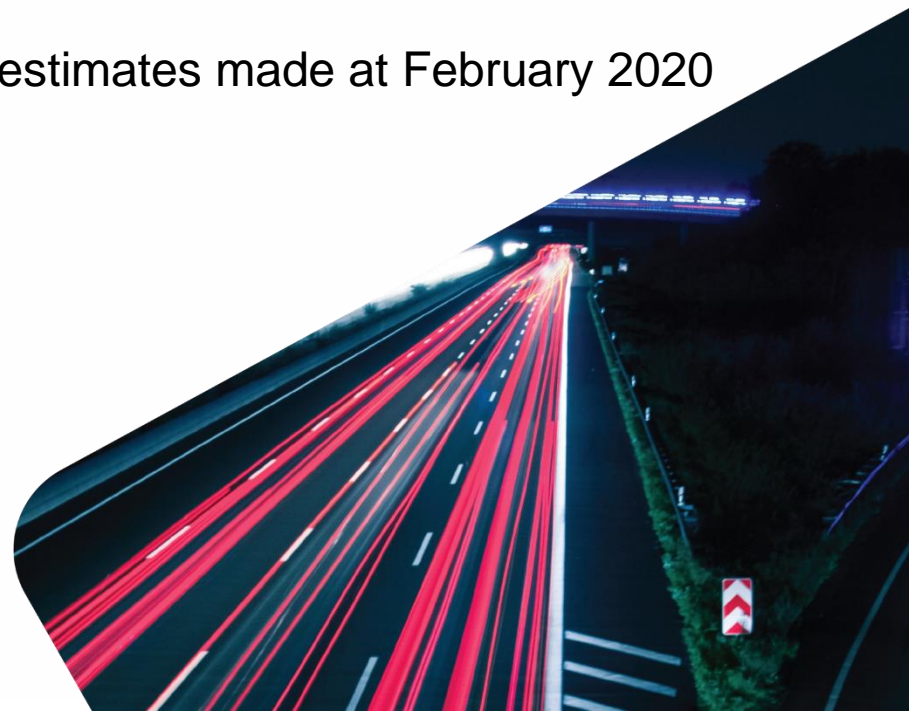
## 2. Going concern implications

- Group soundly structured
  - Substantial equity base
  - Cash resources – R 660 million
- Borrowings aligned to car hire fleet
- Trade payables aligned to working capital assets
- Matching cash inflows and outflows
- Trade receivables of relatively low value – wide-spread customer base
- Conservative valuation of vehicle stocks and car hire fleet – allows to quickly right- size without a trading loss.
- Management has developed various budget scenarios, and stress-tested them to the most pessimistic of outcomes. Even under severe economic forecasts, management believes the Group has the resources to remain a going concern



## 3. Impact on 2020 reported results Consideration given to:

- Valuation of car hire fleet
- Valuation of retail motor inventory
- Carrying value of receivables
- Availability of debt funding
- Ability to meet working capital obligations
- No impact on economic assumptions and estimates made at February 2020



## 4. Actions taken to mitigate losses

- Analyze cost base into 5 major cost centres
- Strategy was devised to maximize savings in each of these categories.
  - **1. Employment costs**
    - Salary freezes
    - Salary cuts (Sliding scale for 6-9 months)
    - Early retirement
    - Retrenchment of under-performers
    - Training has commenced to change our culture to one of working in teams rather than specific blocks, multi-skilling staff.  
Targeting an increase in productivity levels between 20-25 %.
  - **2. Interest cost reduction**
    - Interest rates have reduced year-over-year by 30%.
    - Reduction in dealership stock by 20-25 % to optimal level.
    - Reduce car hire fleet by +/- 40% to sustainable level. 20% will be completed by end June 2020.
    - Focus on collection of debtors, 85% + of pre-COVID-19 debts already collected.

## 4. Actions taken to mitigate losses

- **3. Demonstration vehicle costs**
  - Reduce fleet by 20-25%
  - Reduction in value by 20%
  - Interest rate reductions
  - Relaxation of onerous demands by OEMs.
  
- **4. Advertising and Marketing**
  - Sizeable reductions in costs, focusing only on digital marketing which already generates majority of our leads.
  - Rokkit in-house agency manages both Carshop website and social media advertising.
  - Our Carshop website is already generating more leads than other well-known advertising websites.

## 4. Actions taken to mitigate losses

- **5. Fixed Costs**

- Represents 30% of total dealership cost.
- Limited amount of savings in short term, but lease renewals are being negotiated at lower rates.
- Car Hire ACSA's airport leases are currently being renegotiated. Current agreements expire in July 2020.

## 5. Future profitability

- Inevitable negative impact from March to May 2020.
- June vehicle trading levels average 65-70%, parts and service 80-90% - should generate modest profit.
- Drop-in interest rates will benefit:
  - The Group car hire borrowings
  - The Group vehicle floorplan payable
  - Customer debt instalments
- Large reductions in cost base.
- OEMs – Reductions in their costly demands.

## 5. Future profitability

- More opportunity to multi-franchise through existing outlets (OEMs more flexible)
- Competitors closures will provide opportunities to increase market share in a smaller market.
- Restructuring 90% complete by June month end, allowing us to focus on our sales efforts.
- We have disposed of a major loss-making dealership
- Acquired an alternative parts supplier from 1 March 2020 – sourcing from India and China. Considerable growth opportunities







**END**

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