South Africa - Automotive Retail Financial Performance Trends
October 2020 to May 2022

Executive Overview

Inflationary forces underpinned by the post covid supply chain disruptions, the negative impact of the east bloc conflict, China covid lock down actions are demonstrating once again the inter dependence between nations for good and services. These are now more expensive for all nations

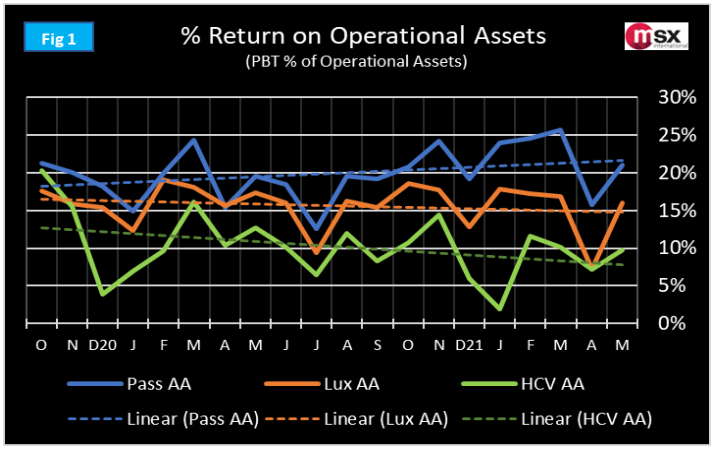
The economic outlook for South Africa is being shaped by global trends and policy intransigence in terms of power generation. The automotive sector continues to enjoy positive growth despite the economic head winds.

The purpose of providing MSX's Benchmark KPIs

Benchmark KPIs trends used in the analysis are based on a **one-month actual average** for each of the KPIs. All performance KPIs are an aggregation of the three or more brands that are involved in performance reporting to MSX.

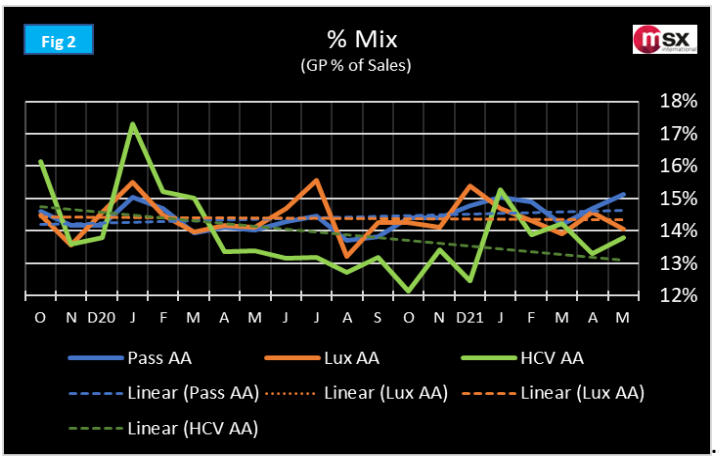
Automotive Retail Network Performance - % Return on Operational Assets - Fig 1

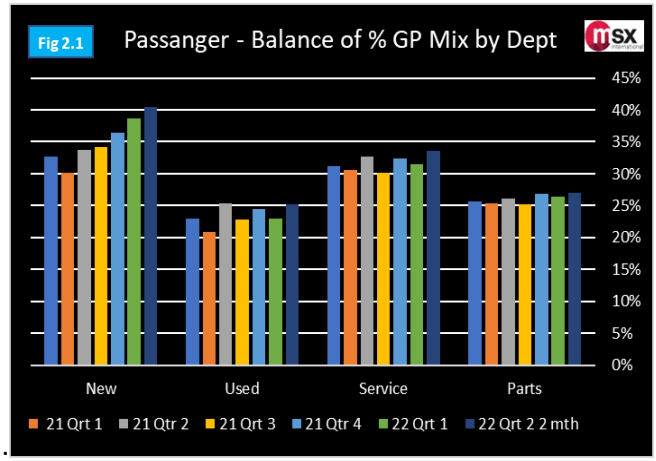
The trends in investment returns within the three segments of the automotive sector are diverging, with passenger showing a positive gain, the luxury continuing to show a decline and commercial vehicle s continuing with the downward trajectory. A steady supply of imported vehicles where dependency upon microchip availability has helped to elevate performance in the passenger segment.

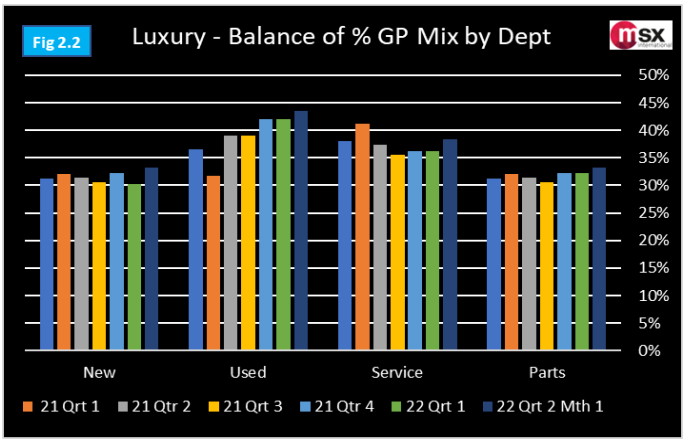


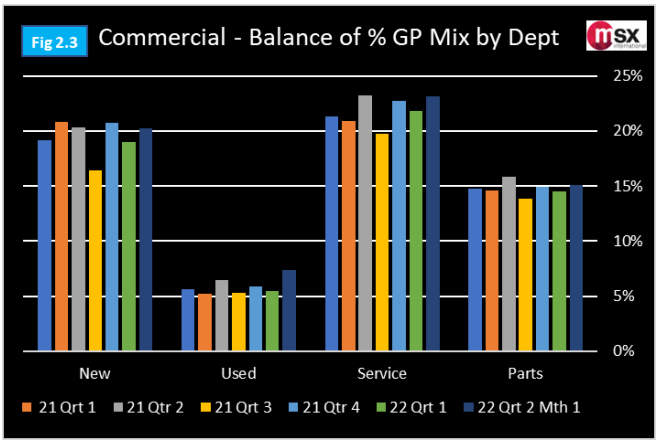
% Mix – Fig 2

Dealer gross profit margins (Fig 2), interestingly fall within a narrow band. The trends are the actual average and benchmark performance will in many cases by greater. The balance of the % GP by department continues to indicate that greatest gross profit contribution comes from new vehicles(Fig 2.1) in the passenger segment, from used(Fig 2.2) in luxury segment and from service (Fig 2.3)in the commercial segment.



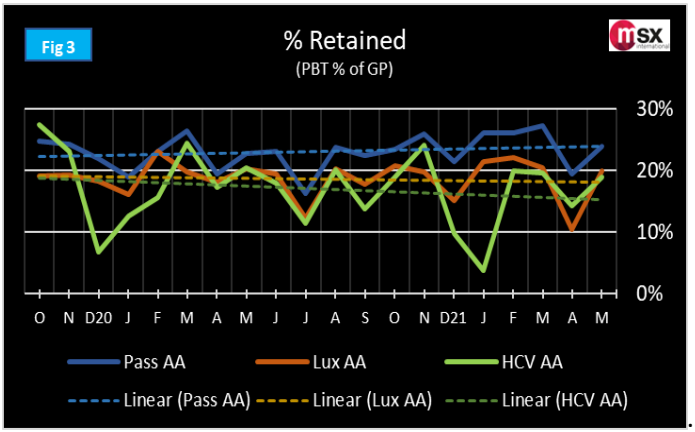


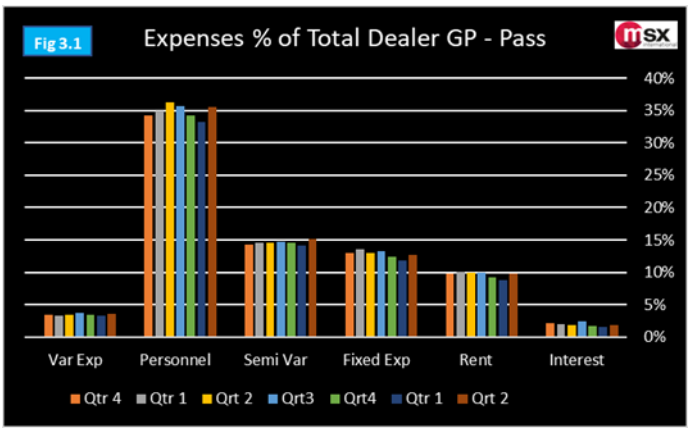




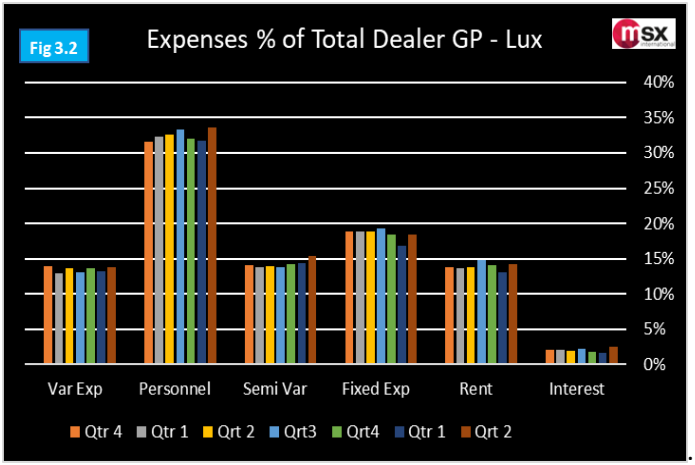
% Retained – Fig 3

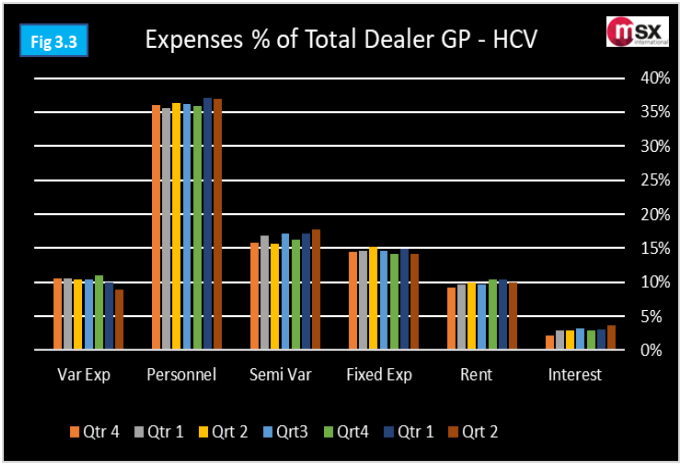
Retained reports the proportion of net profit remaining after the deduction of all expenses from gross profit. In inflationary environment expenses require continuous attention.





Personnel costs are by far the highest expense category in all three categories. Expenditure in all categories in all three segments is at its highest level in the past seven quarters. This trend is reflected in Figs 3.1, 3.2 and 3.3. It's a red flag for management teams to remain focused on controlling costs.

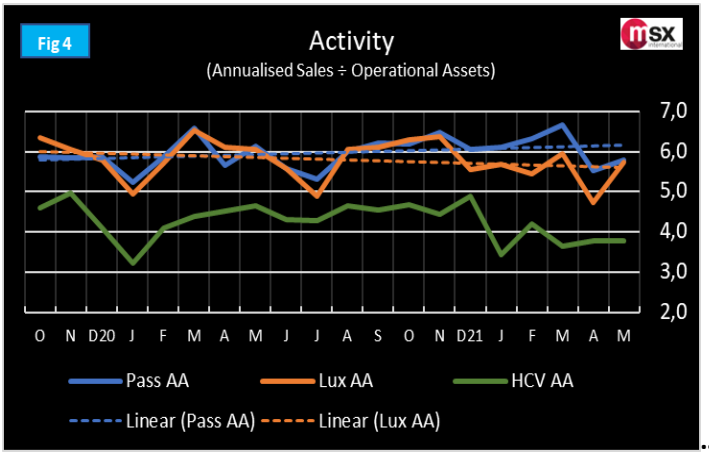


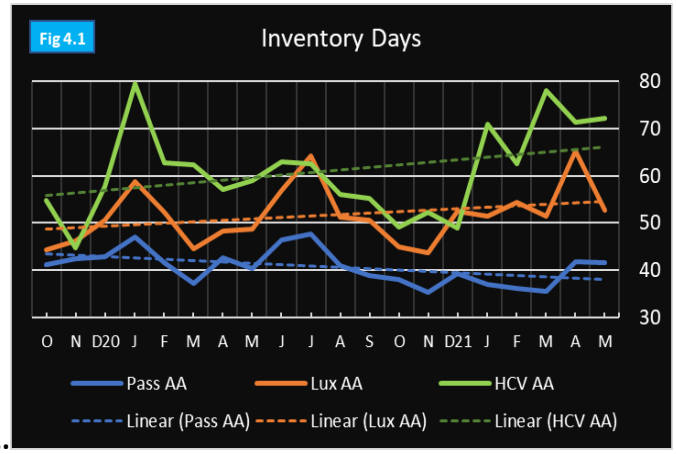


Asset Activity- Fig 4 and Fig 4.1

Activity measures the number of times operational assets are cycled in a year. There are multiple permutations of activity depending on price, margin and demand. Dealerships strategy in the market it operates within will be reflected in the asset turn.

Inventory levels have increased (Fig 4.1) as indicated inventory days. It's a reflection of higher inventory levels in relation to sales volumes.

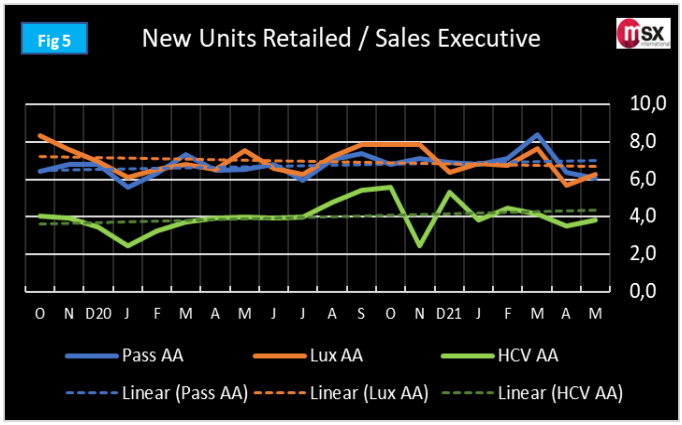


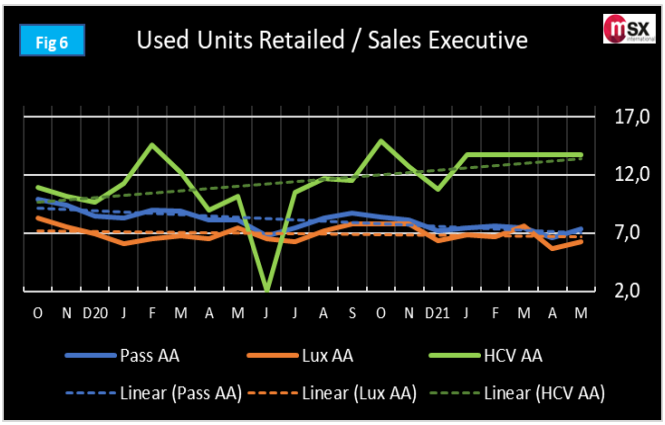


Dealership Productivity Measures

New and Used Units sold per Sales Executive – Fig 5 and Fig 6

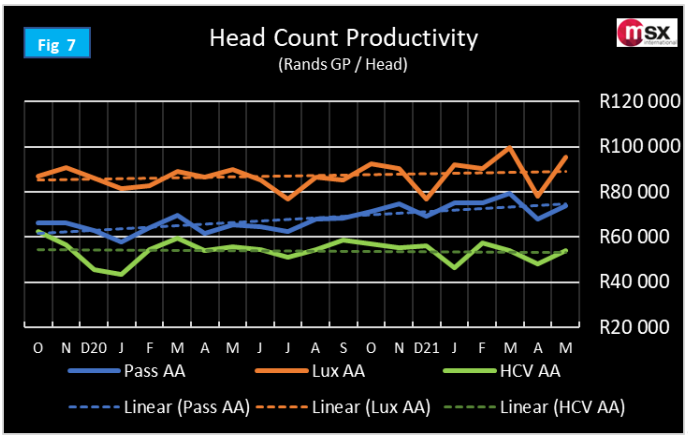
Productivity statistics "on average" remain steady.

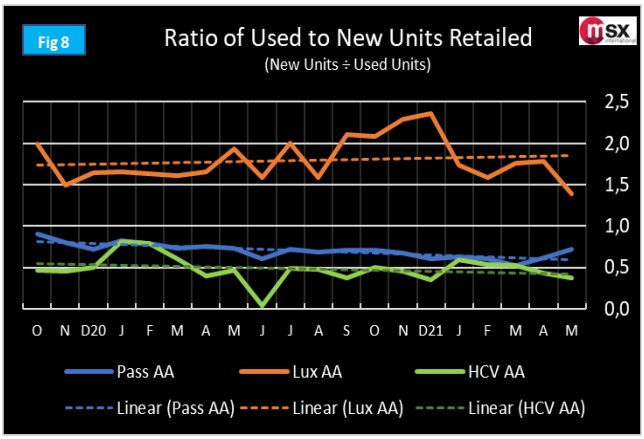




Head Count Productivity - Fig 7 and Fig 8

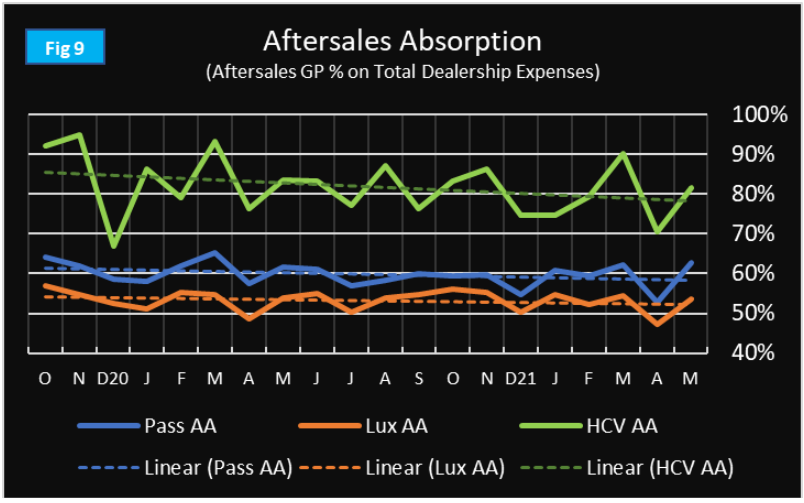
Gross profit per head (Fig 7) has a general rising trend. Its clear that the ratio of Used units to New units retailed is fairly stable.





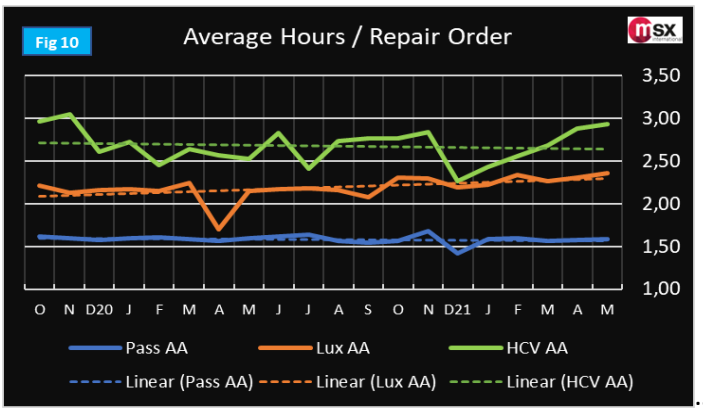
Aftersales Absorption - Fig 9

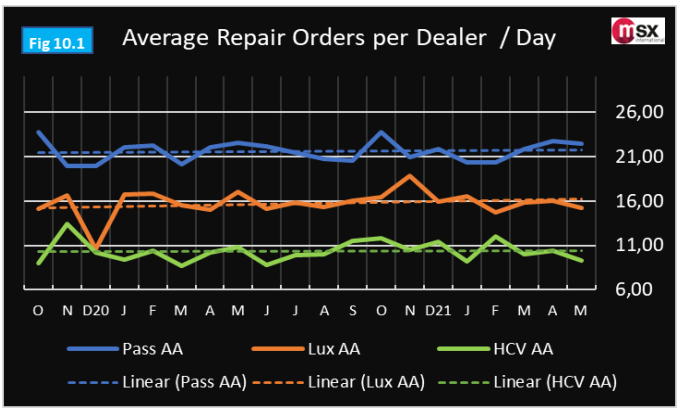
The trend across all three segments is a gradual reduction in absorption. Two levers of performance impact absorption. The rand value of gross margin generated, and the rand value of expenses incurred. The rand value of margins, is under pressure (Fig 2) and there is evidence that the rand value of expenses is rising expenditure (Fig 3), resulting in a declining absorption trend.



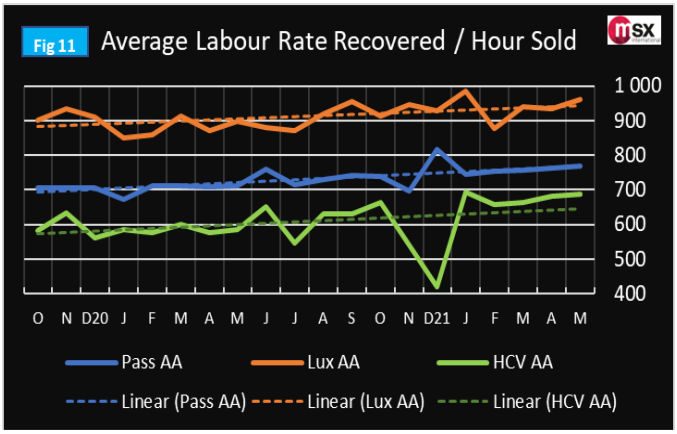
Service Productivity Measure - Figs 10, 10.1 and 11

Hour per repair order (Fig 10)trends show an uptick in each segment. Luxury is showing a rise. Passenger remains level.

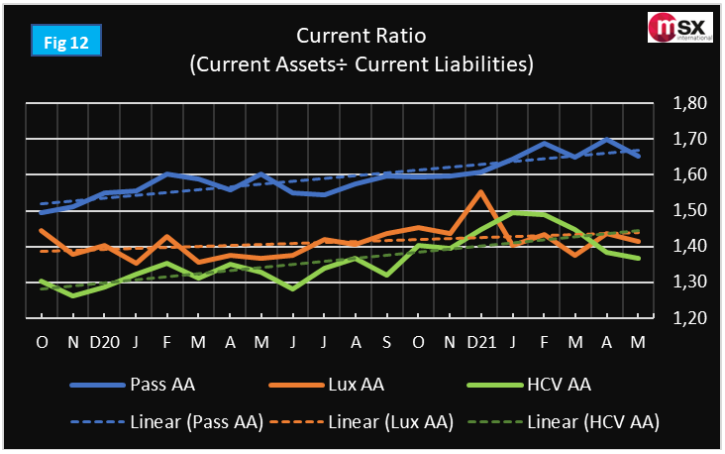




The average RO / dealer per Day (Fig 10.1) continues to show a declining trend. A rise in the average labour rate recovered (Fig 11) indicates inflation is at work



Dealer Liquidity : Current Ratio – Fig 12



Liquidity levels show a trend break for the first time in twenty months and are declining. Dealers are utilising funds to finance inventories and possibly operational expenses.

Future Prospects

Vehicle supply continues to show steady improvements and dealers are better placed to meet customer demands.

Recessionary concerns are being expressed in many quarters, internationally and locally. Actions to curb inflation will have a multiplier effect, dampening conusmer confidence globally and locally.

In the South African context, pockets of positive economic activity are prevalent and the automtive sector being an example, which holds promise for dealers.

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