South Africa - Automotive Retail Financial Performance Trends
April 2022 to February 2024

Executive Overview

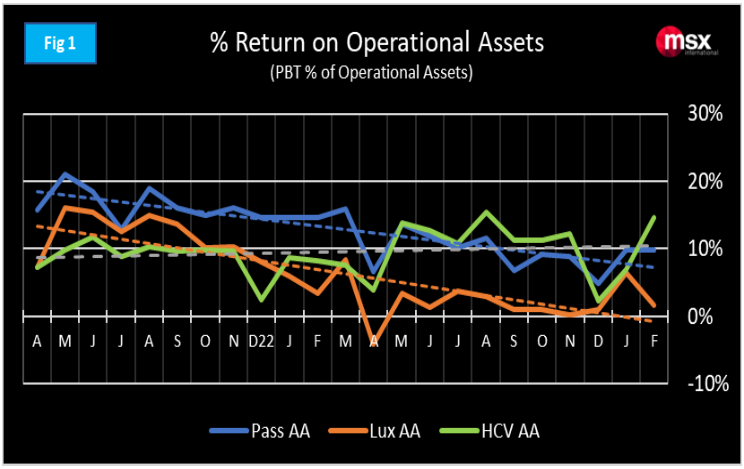
World trade is under pressure, given the middle east conflict and its impact on shipping together and the conflict in Ukraine. Expected robust performance in Asian economies will have a positive outcome.

The outlook for South Africa will see the effect of load shedding, congestion at ports, inflation in all categories rising. National elections have traditionally had a dampening impact on consumer confidence. Interest rates will remain at existing levels.

MSX's Benchmark KPIs

The benchmark KPI's provide a point of context for judging dealer performance. These KPIs are all a calculated average. Trend lines are included to facilitate interpretation.

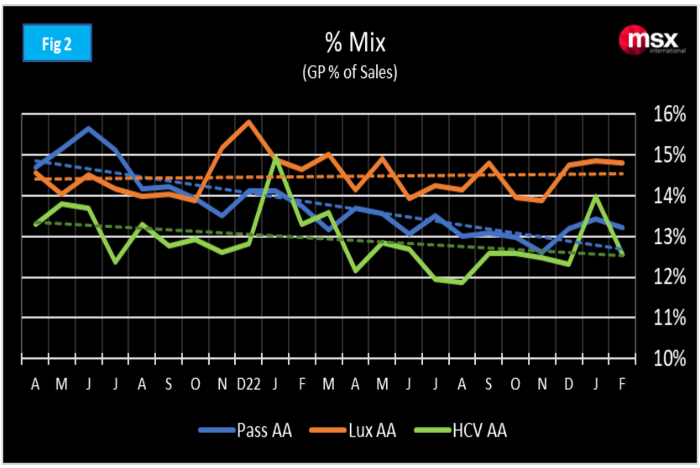
Automotive Retail Network Performance - % Return on Operational Assets - Fig 1

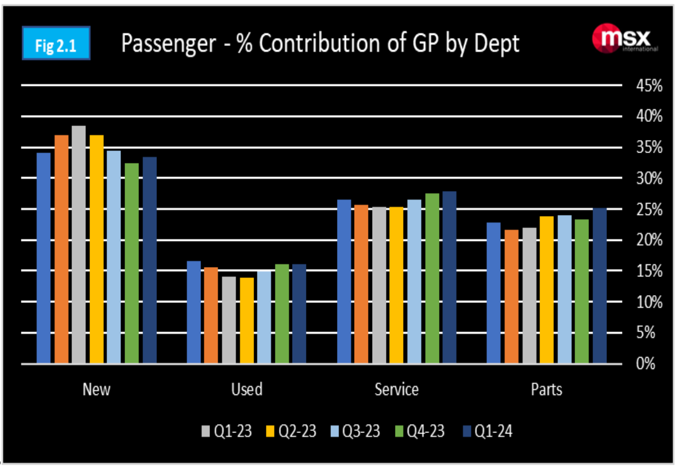


Aggregated network profitability (Fig 1) has declined steadily for seven quarters since May 2022, with the first sign of improved returns occurring in Quarter 1, 2024. The trend break is unusual in the context of reported reduction new vehicle sales but is encouraging.

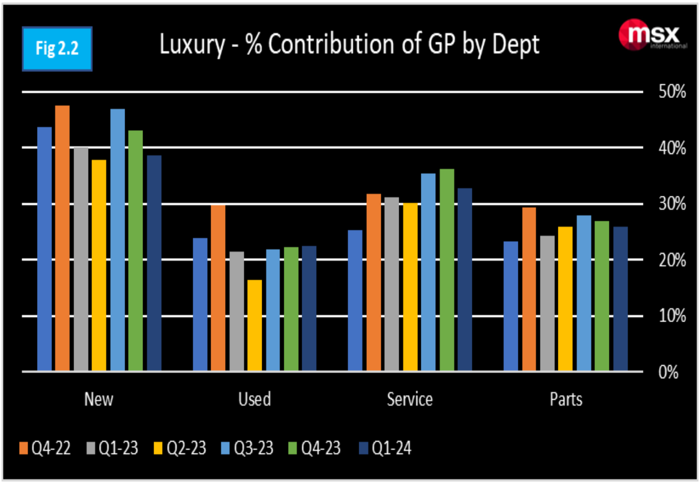
% Mix – Fig 2

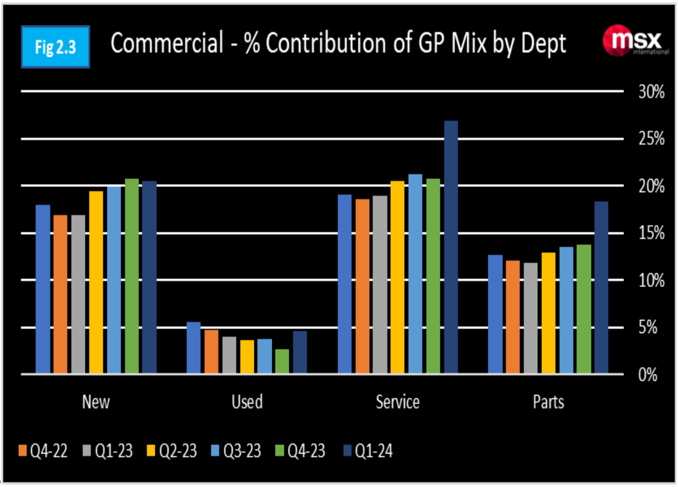
The Mix trend (Fig 2) in the three segments Passenger, Luxury and Commercial Vehicles all vary, with Luxury maintaining a steady Mix for the seven quarters and Passenger and Commercial showing a steady decline. The pickup in the Mix in quarter 1 24 is a positive development. The % share of Passenger Gross Profit contribution (Fig 2.1) to each department for the seven quarters shows the largest contribution comes from new vehicles, with Service second and Parts third. Very clearly the Q1 2024 contributions for all departments have improved.





In the Luxury segment (Fig 2.2) New vehicles provides the largest contribution, with service and parts second and third. The contribution from each department remains similar across all department for the seven quarters. The Commercial segment (Fig 2.3) shows a strong rise in the contribution from service and parts in the 1st Quarter 2024. This is an encouraging upturn.

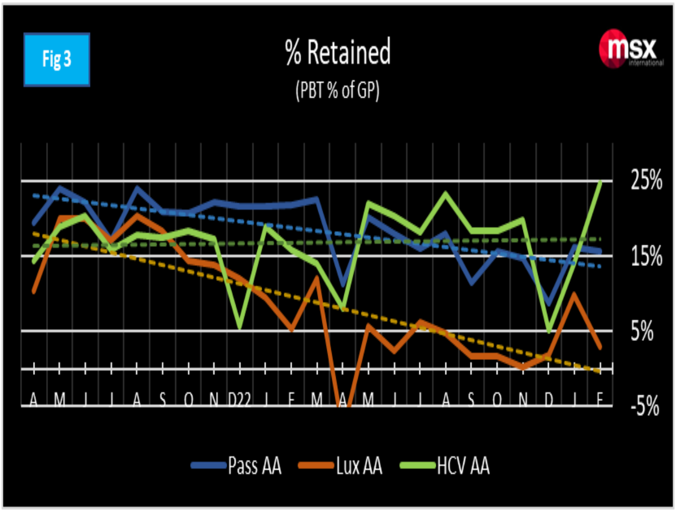


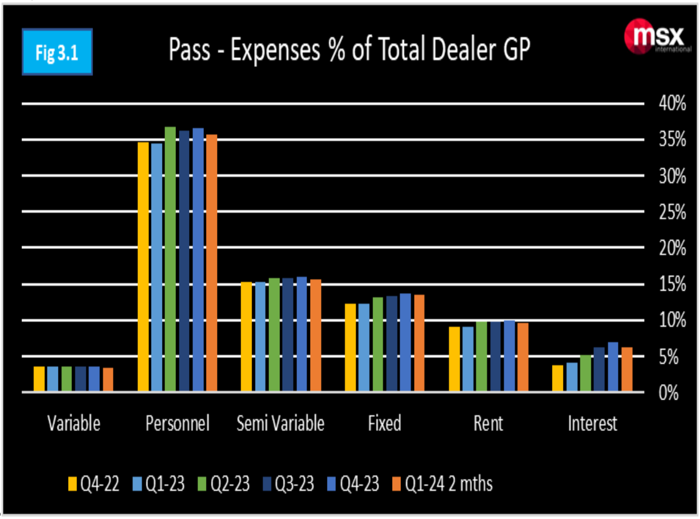


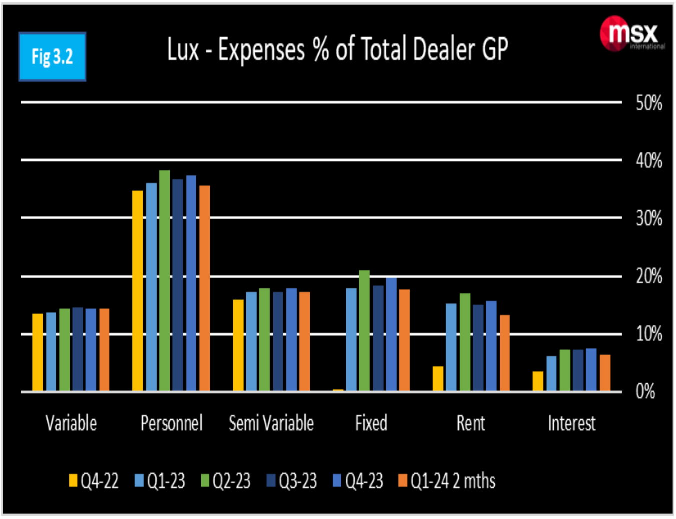
% Retained – Fig 3

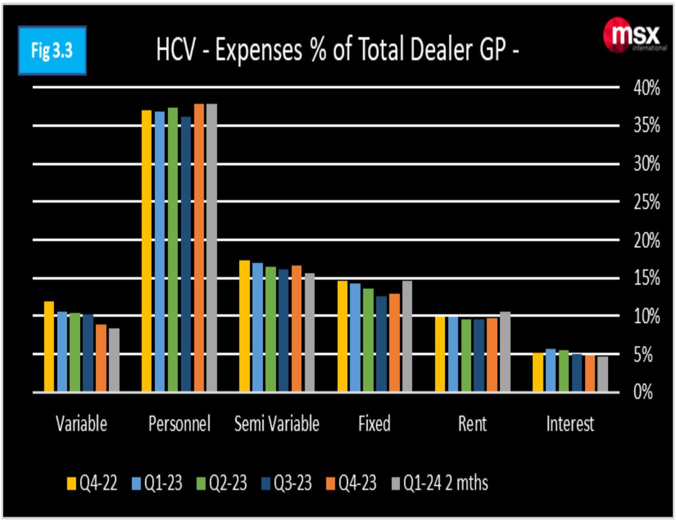
The % Retained (Fig 3) is the Net Profit expressed as a % of the Gross Profit. It's a measure of the control of expense by the dealership team. Management's goal is to control expenditure in relation to available gross profit. All three segments reflect a reduction in % Retained with the Luxury segment showing the steepest decline.

The proportion of expenses as a percentage of gross profit (Fig 3.1,3.2 and 3.3) for Passenger, Luxury and Commercial has remained consistent for each of the seven quarters.



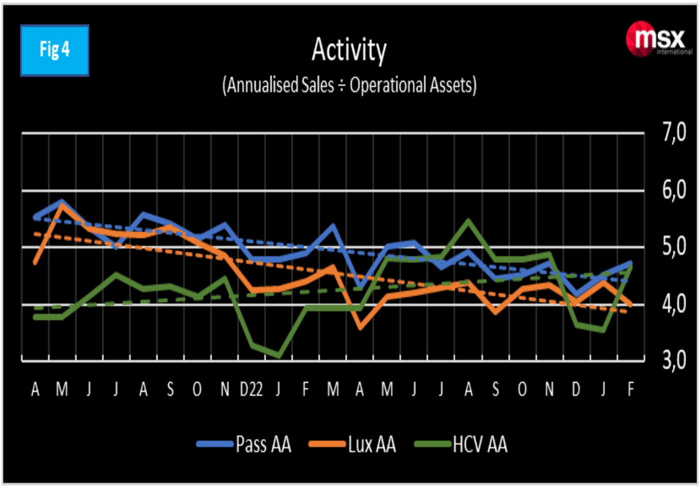


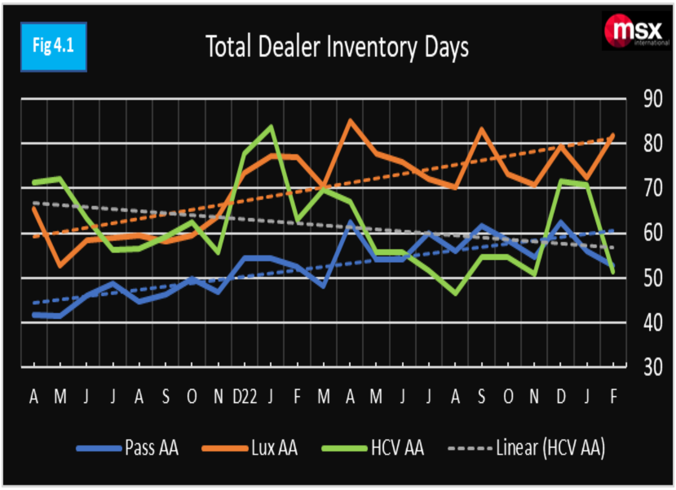




Asset Activity- Fig 4 and Fig 4.1

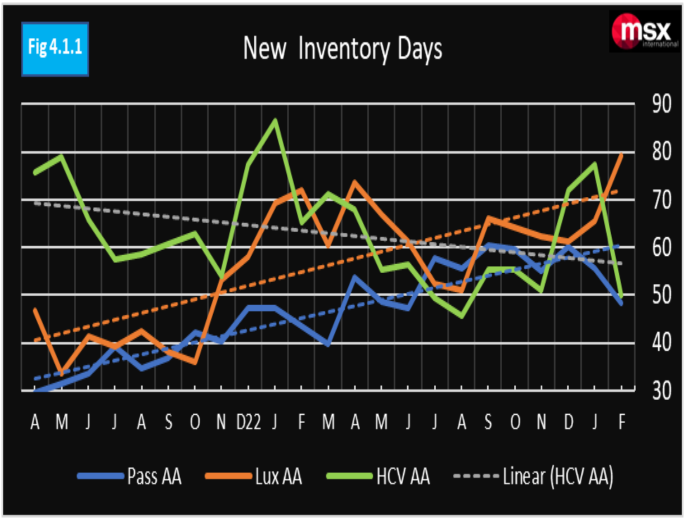
Activity measures the number of times operational assets are cycled in a year. Activity on average (Fig 4) has shown a decline over the seven quarters for Passenger and luxury with commercial vehicles showing a steady improvement. Total dealer inventory days (Fig 4.1) shows a steady buildup of inventories except for commercial vehicles.

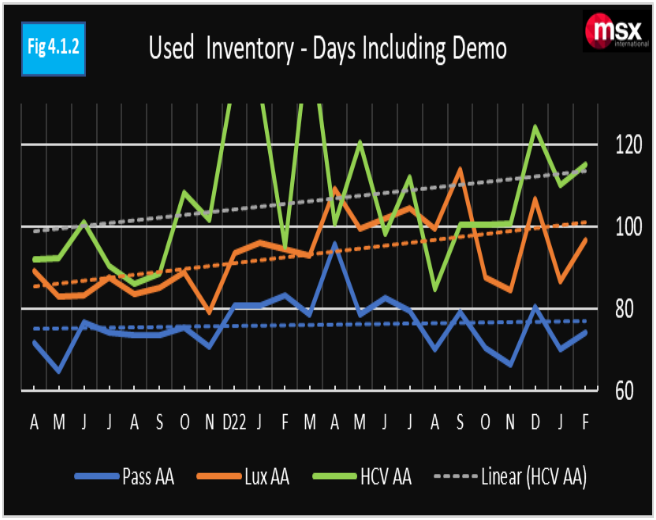


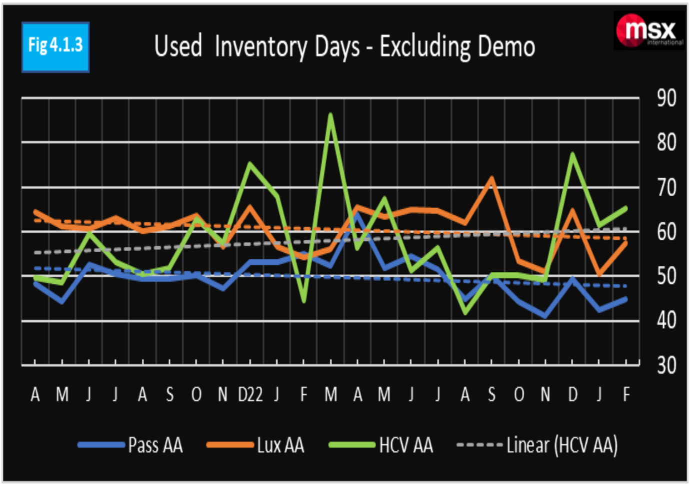


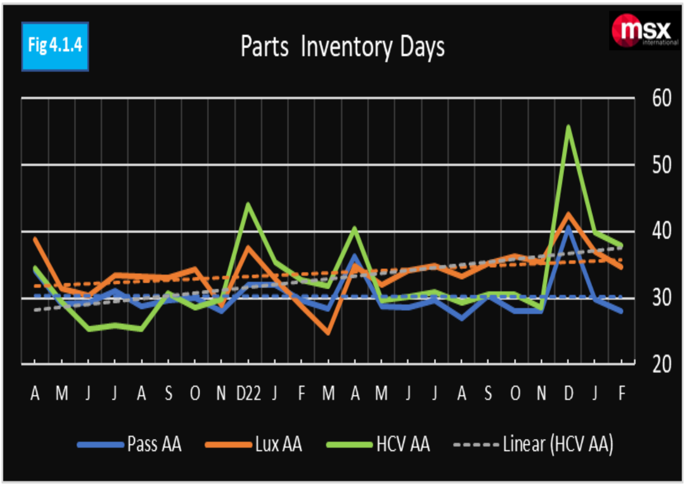
Inventory days per department (Fig4.1.1 to 4.1.4) is indicated to high light inventory level trends. New inventory days shows a build up of inventory for Passenger and Luxury with Commercial remaining level.

Used Inventory with Demo included (Fig 4.1.2) and Demo excluded (Fig 4.1.3). Interestingly demo vehicles add 30 days to new days,40 days to Luxury inventory days and about 50 days to Commercial inventory days. Used Inventory days excluding Demo vehicles (Fig 4.1.3) falls within a stable band on the other hand including demo vehicles (Fig 4.1.2) shows a steady buildup of demo inventory in all three segments.



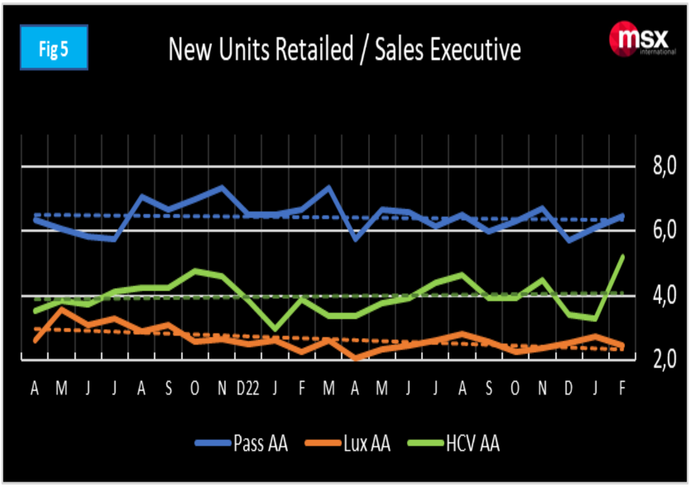


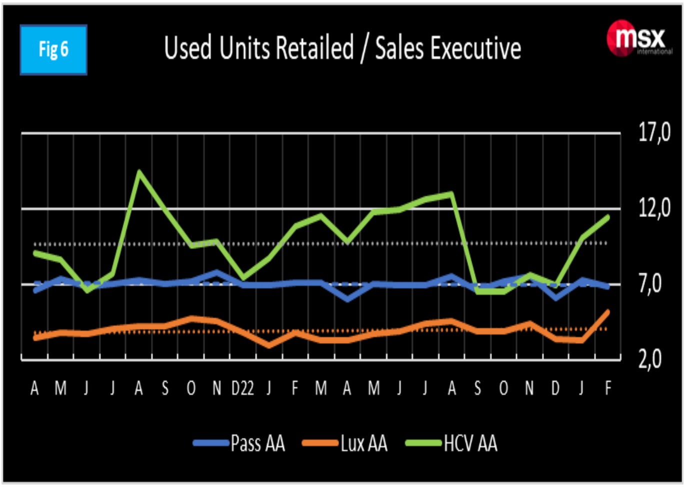




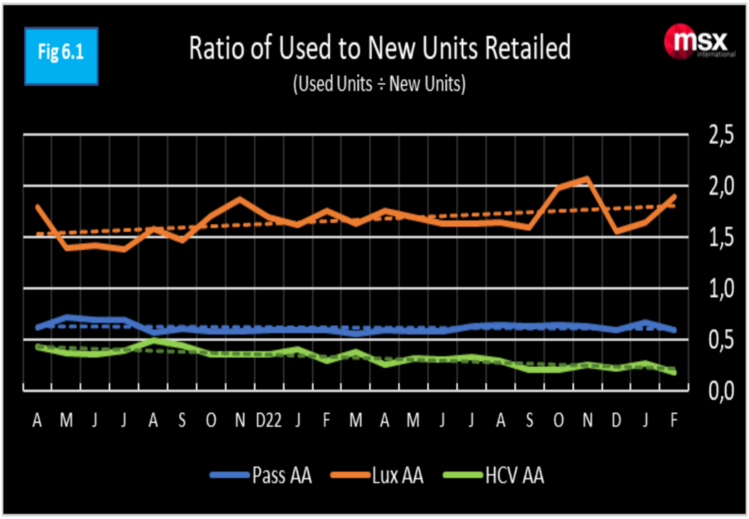
Dealership Productivity Metrics

New and Used Units sold per Sales Executive Fig 5 and Fig 6
The productivity trends for new (Fig 5) and used (Fig 6) indicate that productivity per sales executive for passenger and luxury segments are steady. The Commercial segment shows a decline in Quarter 4 2023 and a recovery in Quarter 1 2024.

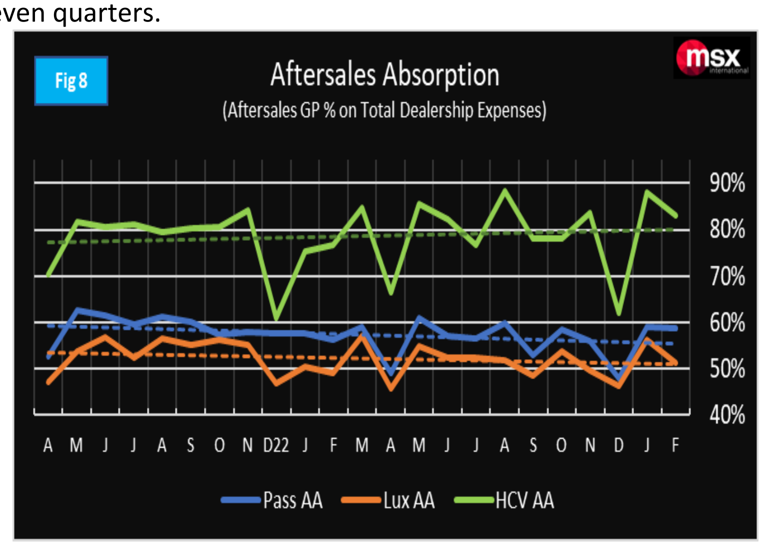




Ratio of Used to New (Fig 6.1)
The trend of the ratio of used to new vehicles retailed is unchanged. Used vehicle sales as reported by dealers continue to outpace the sale of new vehicles.

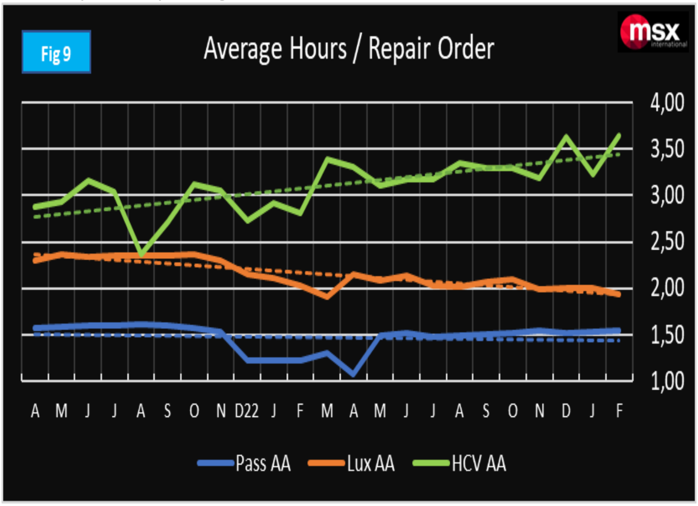


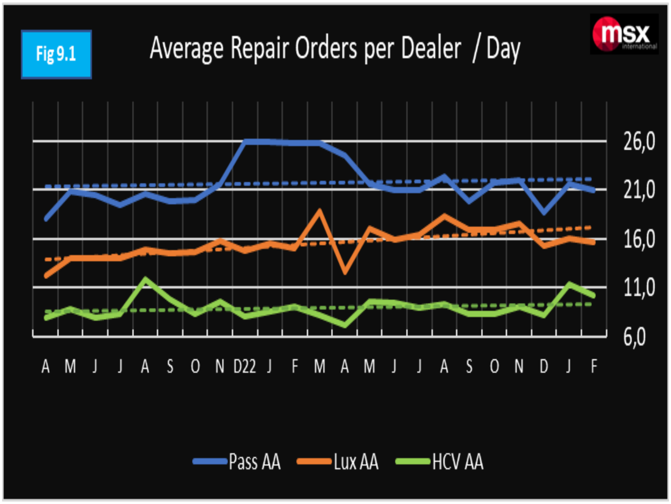
Aftersales Absorption - Fig 8
Consistent trends over the seven quarters.



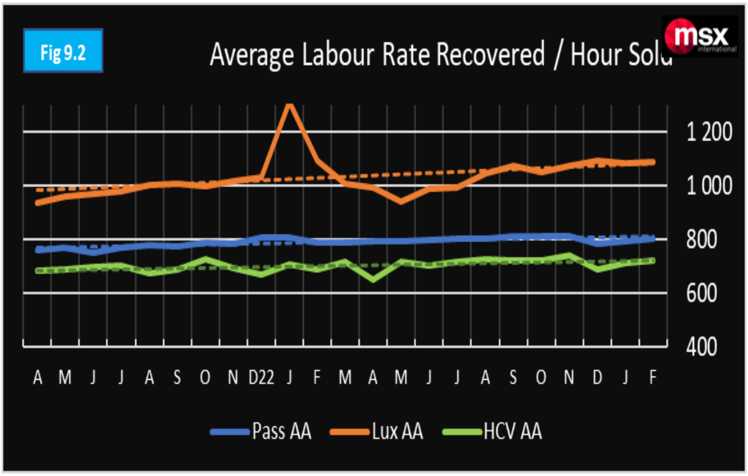
Service Productivity Metrics - Figs 9, 9.1 and 9.2

The average hours per repair order (Fig 9) remains steady. Commercial vehicles show a steady gain in 2023. Repair orders per days (Fig 9.1) remains at a consistent level.



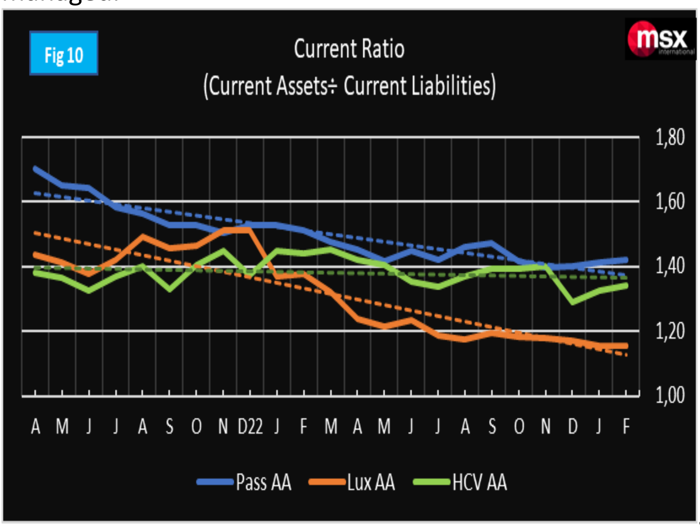


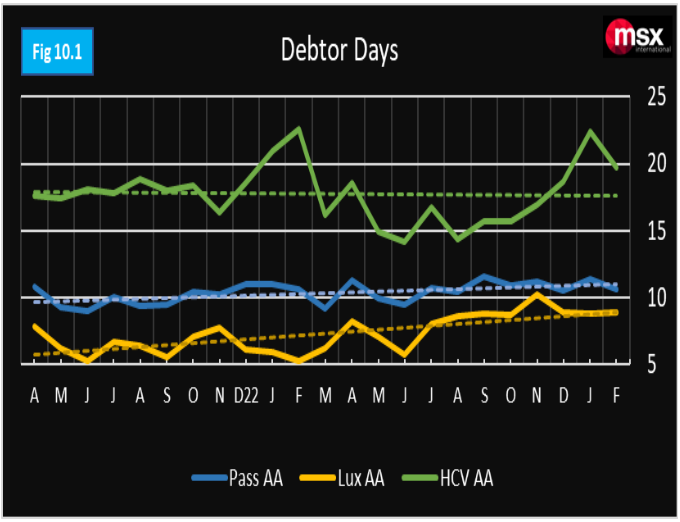
Passenger segment shows a continuous adjustment in rates. It is a concern that a similar pattern does not occur for the other segments.



Dealership Liquidity : Current Ratio – Fig 10

The current ratio is used across many industries locally and globally to indicate liquidity in a business. The norm is a cover of 1.2 current assests to 1 current liabilities. Liquidity levels on average continue to decline across the seven quarters. Debtor days (Fig 10.1) remain consistent month on month basis, indicating that this asset is well managed.





Short Term Future Prospects

Growth projections for the for the South African economy in 2024 at a macro level are low. However not all economic sectors are impacted equally.

Opportunity exists and the Automotive Retail sector traditionally has benefited on focusing its efforts to achieve and maintain acceptable levels of profitability and fair returns.

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