South Africa - Automotive Retail Financial Performance Trends
May 2022 to March 2024

Executive Overview

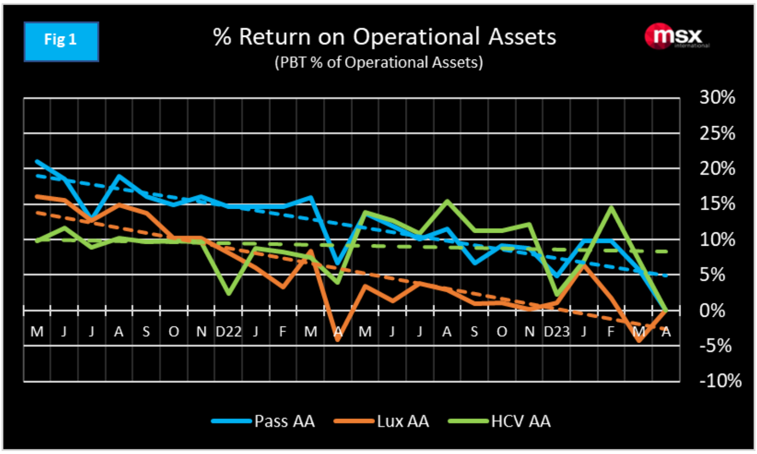
Geo political events continue to have an impact on certain markets. However global inflation is holding firm and showing an improvement in many markets.

Global economic factors impact South Africa and they rise and fall in unison. Employment in South Africa is rising but reports show that South Africa has recently achieved its highest employment. Pre-election concerns have a dampening impact on consumer confidence, which impacts all sectors in the economy. Stability in electricity supply has been steady with consumers investing in solar. Collectively the impact of the Automotive sector has been lower overall profitability.

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 include to facilitate interpretation.

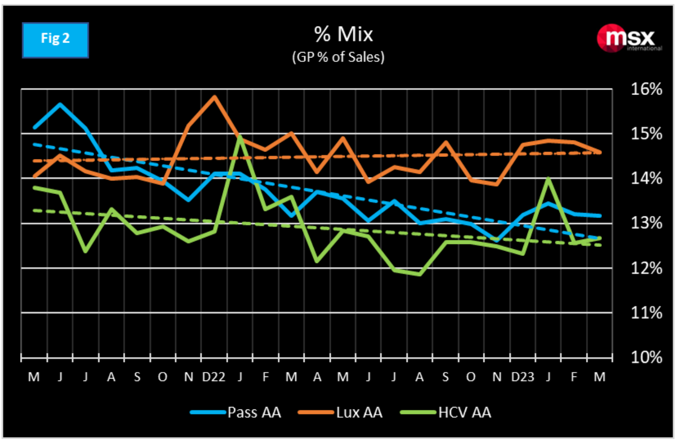
Automotive Retail Network Performance - % Return on Operational Assets - Fig 1

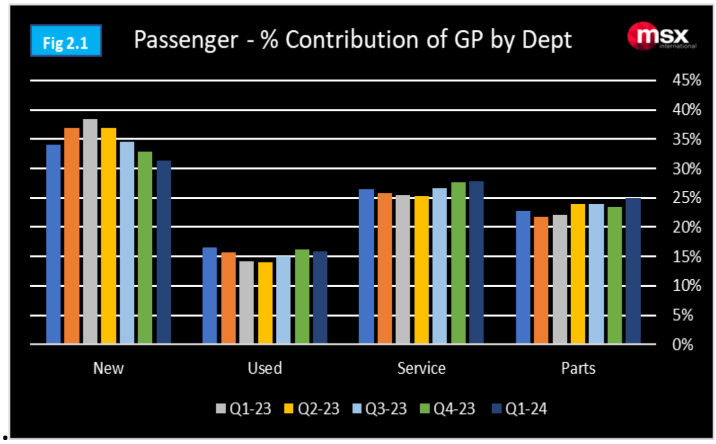


Aggregated network profitability (Fig 1) continues to decline. The HCV segment has shown these most stable performance. The Luxury segment is now in aggregate producing negative returns, which cannot be sustained without a correction in some form. The passenger segment remains profitable but with a declining trend.

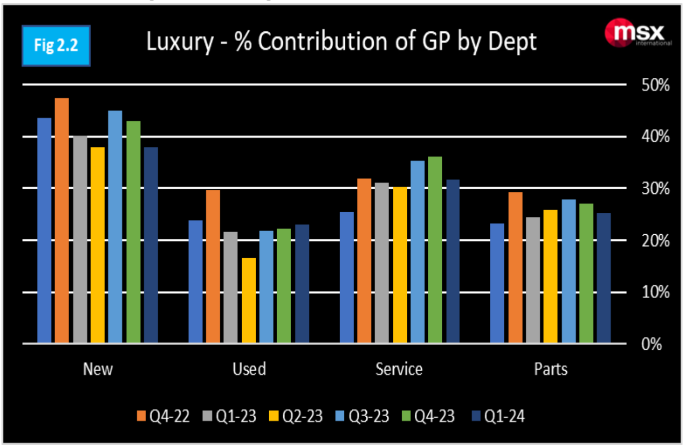
% Mix – Fig 2

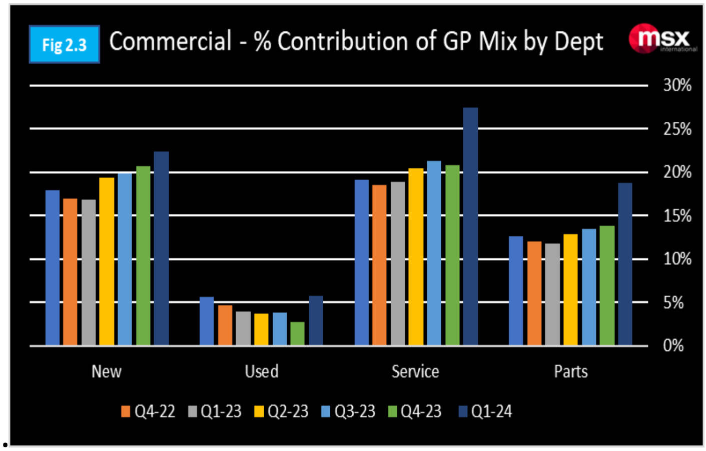
The Mix , the equivalent of the gross margin remains steady for the Luxury segment. Commercial vehicles show a rising gross margin percentage. The Passenger segment shows a steady decline in gross margin.



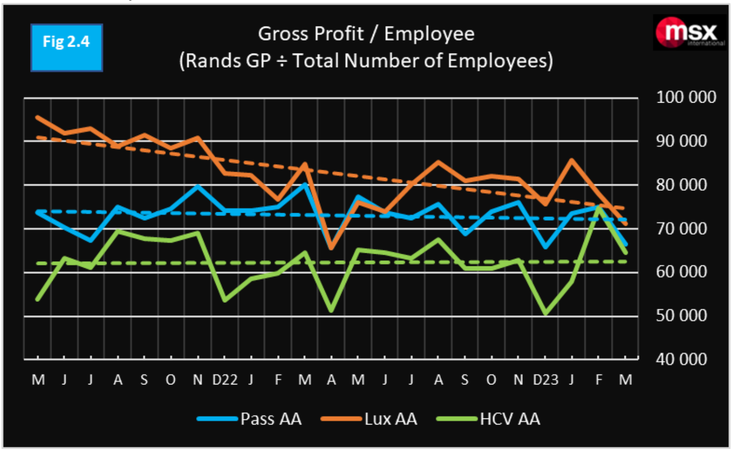


The proportion of gross profit from each department is shown for Passenger (Fig 2.1) Luxury (Fig 2.2) and HCV (Fig2.3) There are some notable differences when viewing the proportion that is generated by the New and Service departments is compared between the three segments. The decline is the contribution in New and Service for Passenger and Luxury is offset by the increase in the contribution from Service. HCV is showing firm gains from New and Service gross margins.





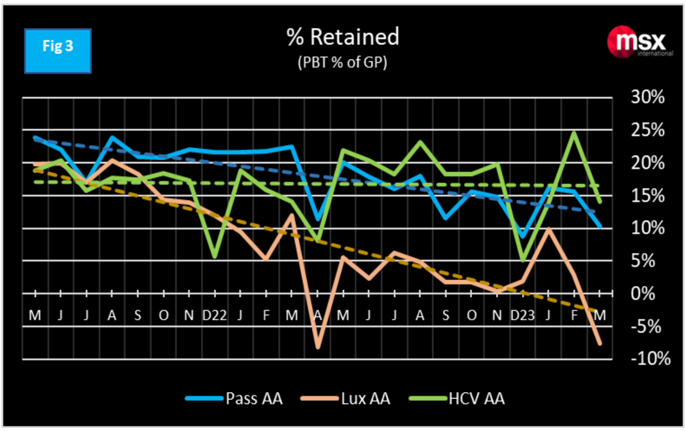
The gross profit per employee (Fig 2.4) a stable trend for Passenger and HCV with a decline for Luxury indicating the pressure faced by Luxury dealers at present.

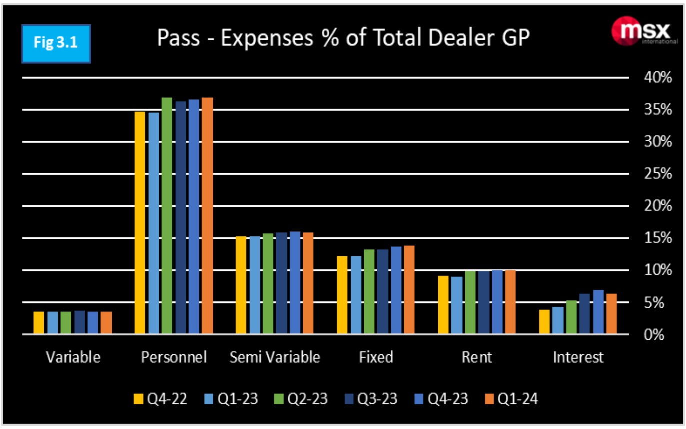


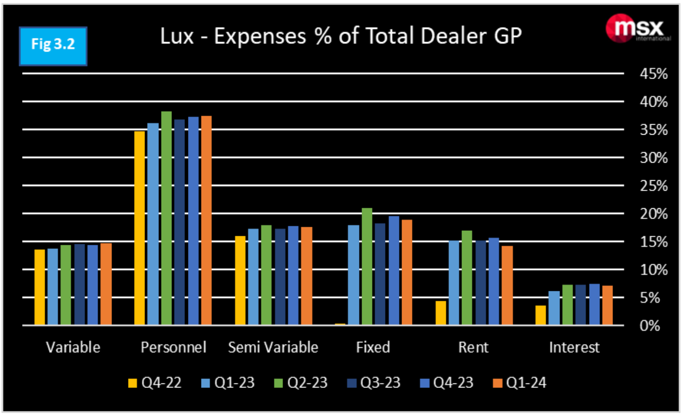
% Retained – Fig 3

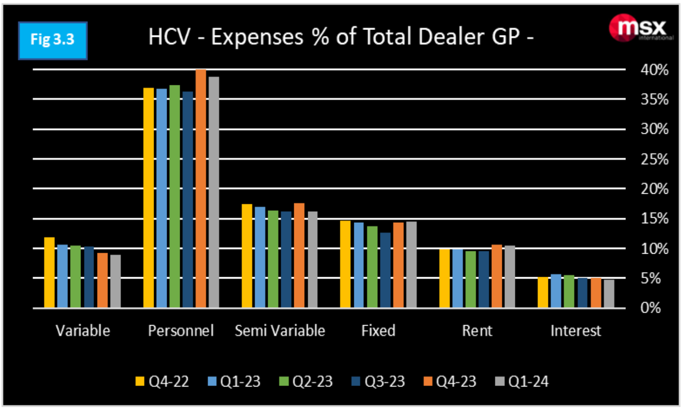
The % Retained (Fig 3) is the Net Profit expressed as a % of the Gross Profit. All three segments reflect a reduction in % Retained with the Luxury segment showing steepest decline.

The consumption of gross profit by each department in shown in Fig's 3.1 to 3.3. Personnel costs continue to rise in each segment are the most significant cost to be managed.



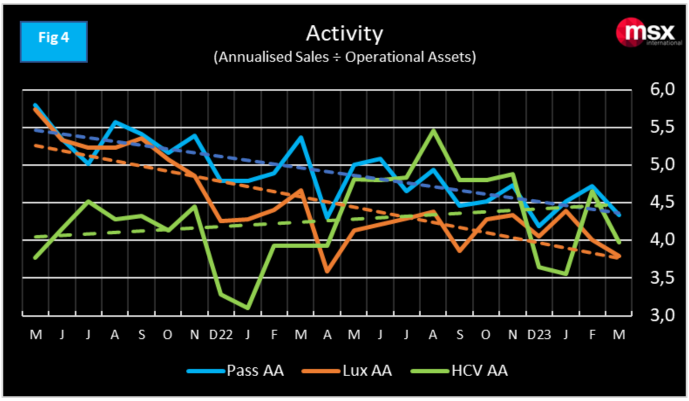


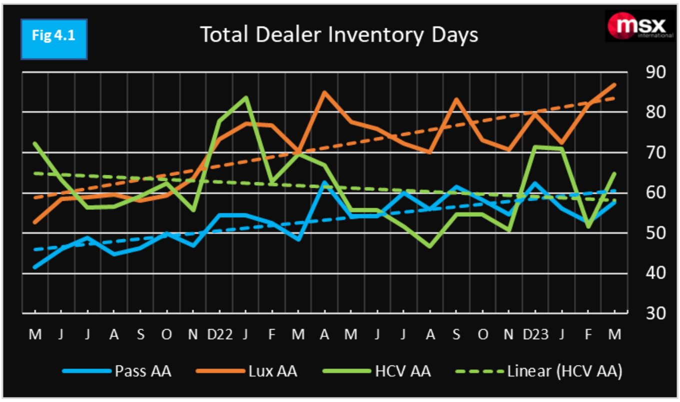




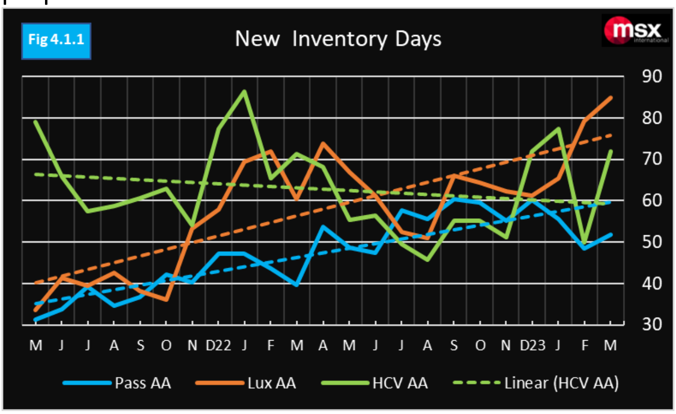
Asset Activity- Fig 4 and Fig 4.1

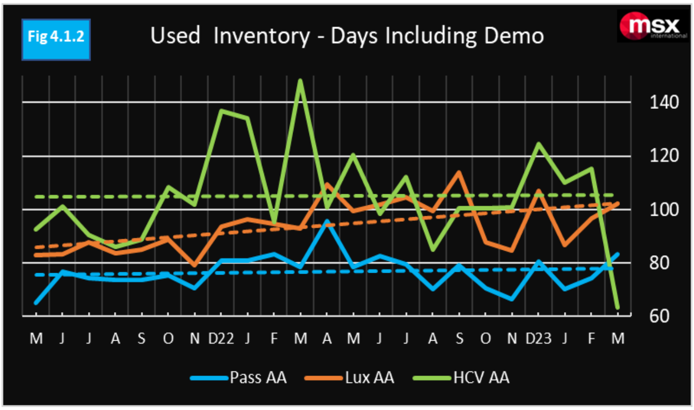
Activity measures the number of times operational assets are cycled in a year. Activity on average (Fig 4) has shown a decline for Passenger and Luxury with Commercial Vehicles showing a steady improvement. Total dealer inventory days (Fig 4.1) shows a steady buildup of inventories except for commercial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

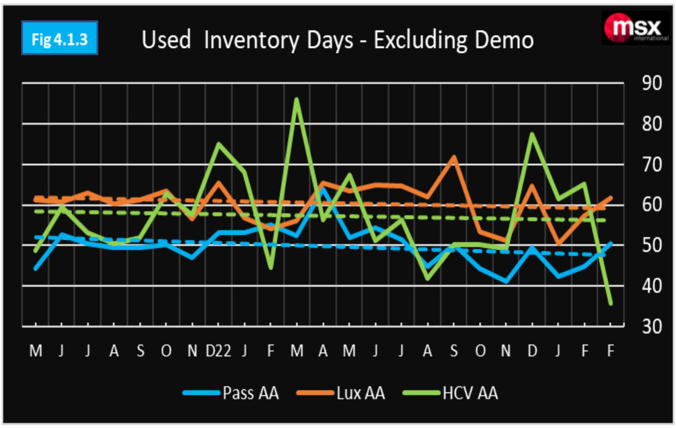




The holding of new and used inventory by department is reflected in this section. The important observation is that each trend analysis (Fig4.1)shows inventory levels rising. Dampened demand is a factor. Each trend analysis by department indicates quite clearly, that inventory levels are rising. This means dealers will need to finance a larger proportion of inventories which is a risk.



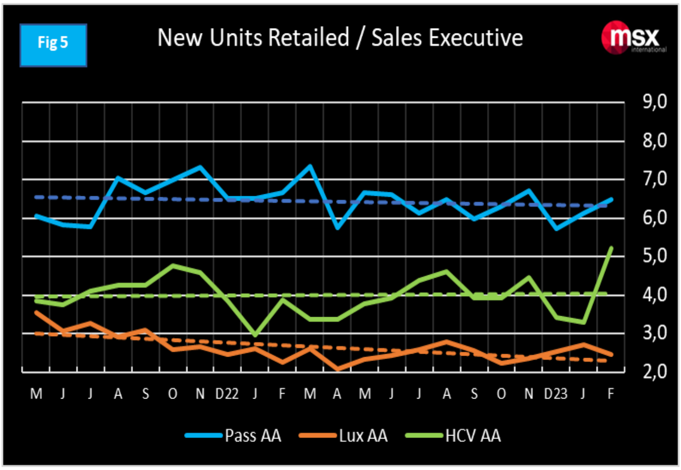


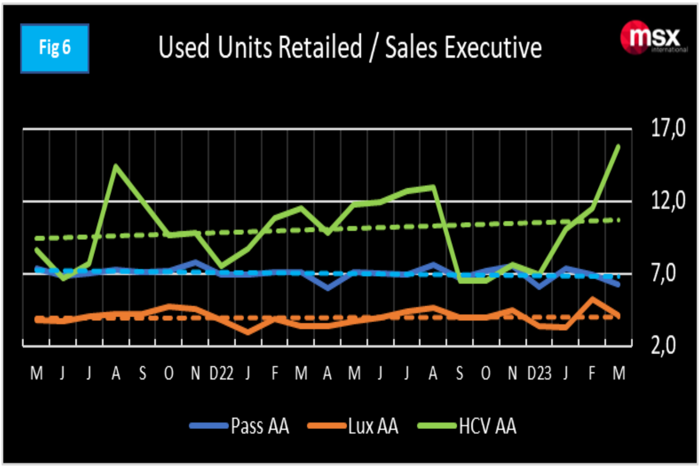


Dealership Productivity Metrics

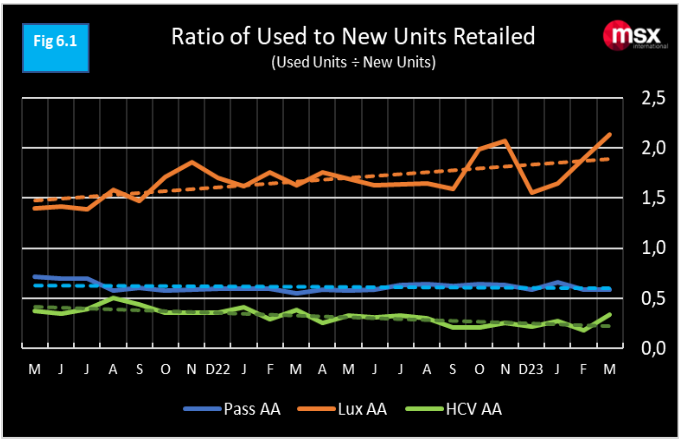
New and Used Units sold per Sales Executive Fig 5 and Fig 6

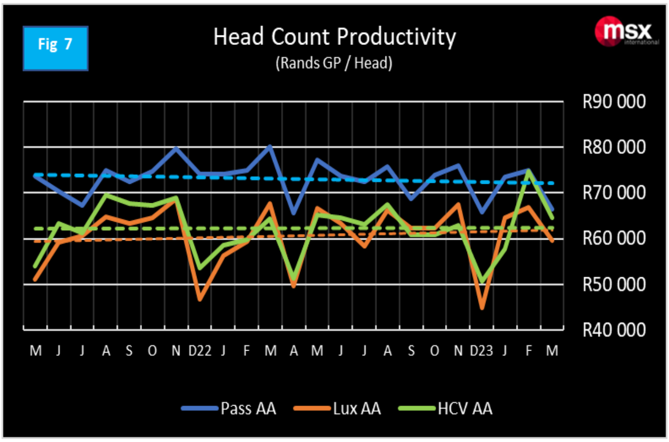
Trends are steady and the average ability for a sales executive to sell a given number of units is indicated. These are aggregated results. Better performance is possible





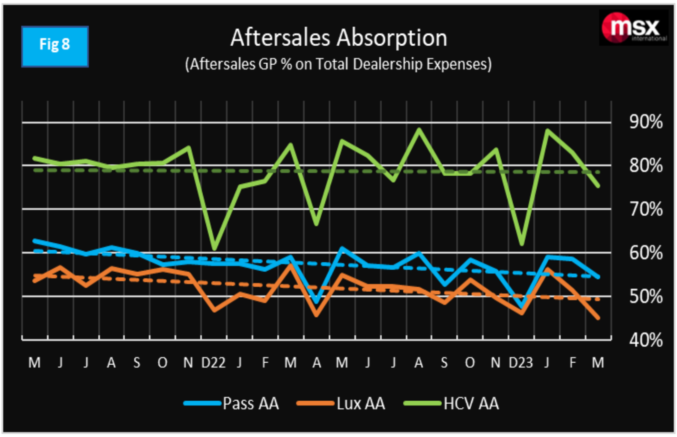
Ratio of Used to New (Fig 6.1)
The trend of the ratio of used to new vehicles retailed is unchanged. Used vehicle sales as reported by dealers continue to outpace the sale of new vehicles.





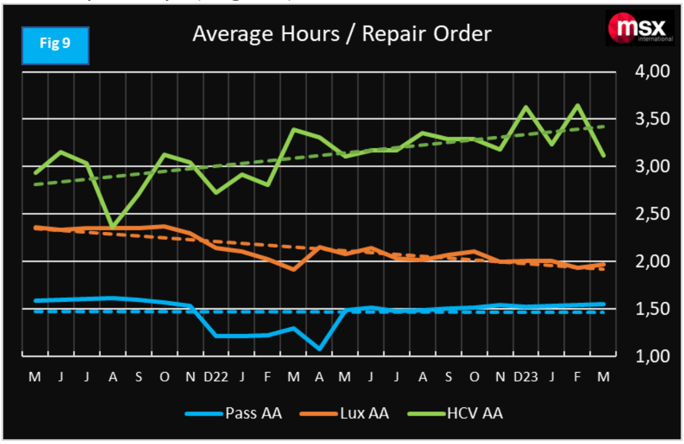
Aftersales Absorption - Fig 8

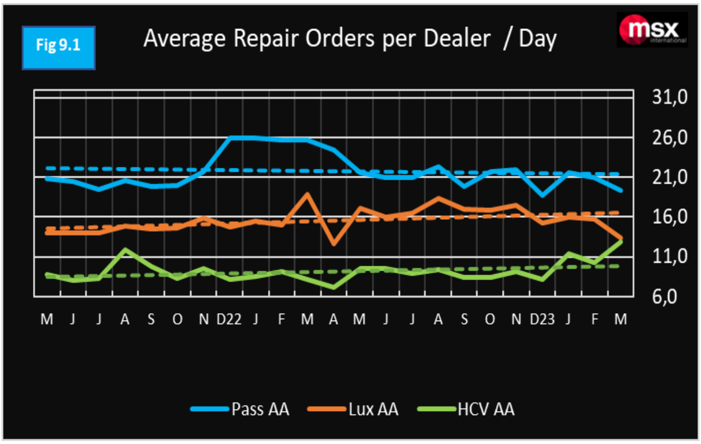
The goal for any Passenger and Luxury dealership should be to achieve around 60% cost recovery from aftersales gross margin. Its higher for HCV.

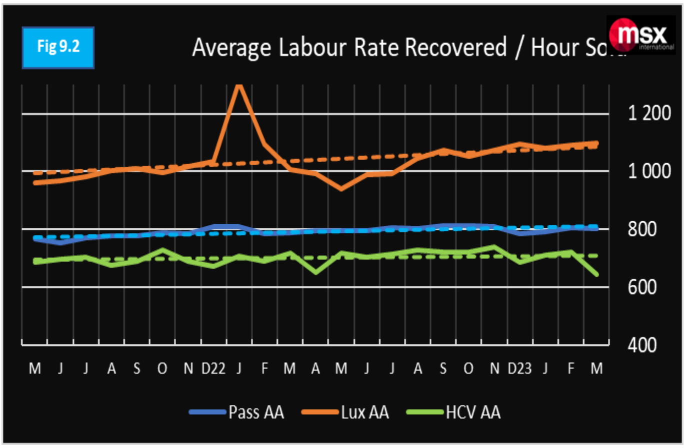


Service Productivity Metrics - Figs 9, 9.1 and 9.2

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.







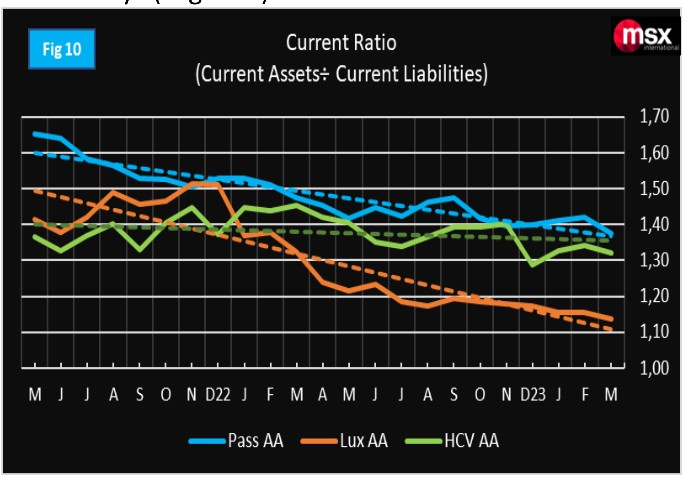
Passenger segment shows a continuous adjustment in rates . It’s a concern that a similar pattern does not occur for the other segments.

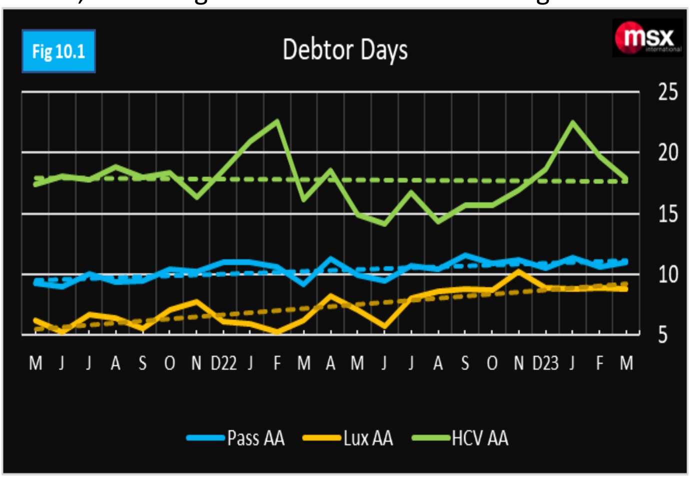
Dealership Liquidity : Current Ratio – Fig 10

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 with a rising risk.

Debtor days (Fig 10.1) remain consistent month on month basis, indicating that this asset is well managed.





Short Term Future Prospects

The upcoming election has dampened demand and consumer confidence. This reality requires dealers to be austere for now and to prepare for a post election improvement in demand.

Economists define the economic band where the small too medium enterpirses reside as the midmarket sector. These businesses include dealership (amongst other non automotive entrepreneurs) who are owned or managed by talented and experience individuals who have resilience, know what they are doing and are agile, able to rapidly responde to changed circmstances.

Future prospects for this midmarket sector, which sustains the economy are most encouraging.

Jai Manilal
Sub -Saharan Africa
Market Lead

Mobile +27(0)83 999 8787
Email: Jai.Manilal@msxi.com

John Templeton
Client Services Director
Sub-Saharan Africa

Mobile +27(0)83 276 2990
Email: jtempleton@msxi.com