South Africa - Automotive Retail Financial Performance Trends
July 2023 to June 2024

Executive Overview

Managing inflation remains a global theme with a steady improvement reported in countries around the world. Regional fragmentation is an emerging trend spurred by geopolitical developments and the alignment of countries and there collaboration along new axis. Global economic activity in the year ahead will be shaped by the ongoing regional conflicts in the Middle East and Ukraine. A record number of the main trading partners for South Africa will be conducting elections and the spinoff for South Africa is an unknown.

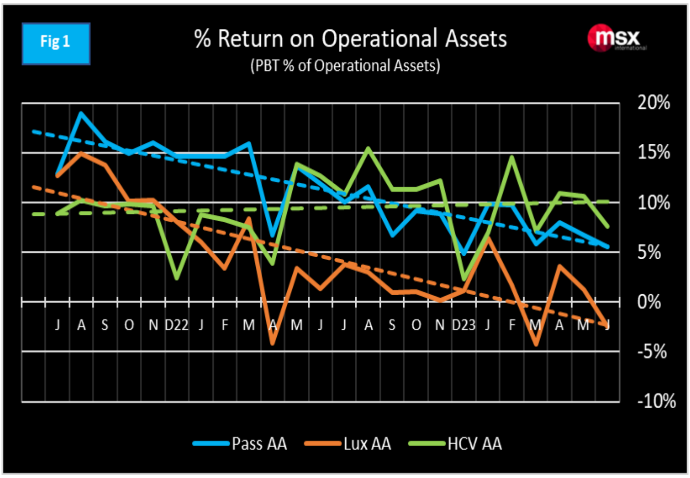
Elections and the emergence of the government of national unity in South Africa has fostered a spirit of new beginnings and a hope that this will translate into growth, job creation and favourable trading conditions for all sectors.

MSX's Benchmark KPIs

The benchmark KPI's provide a point of context for judging dealer performance. These KPIs are all a calculated as a monthly average.

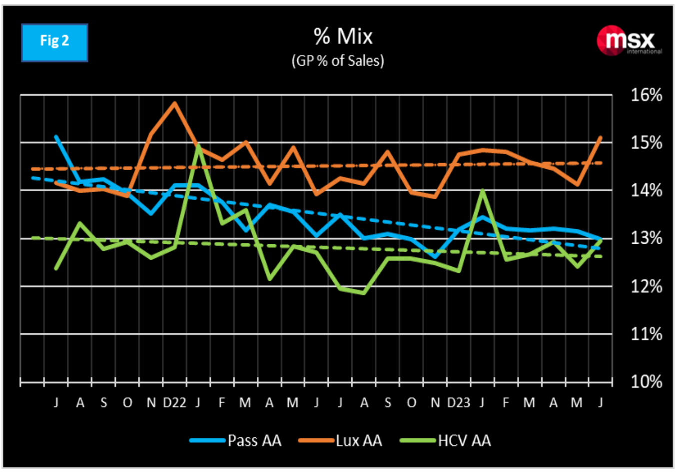
Automotive Retail Network Performance - % Return on Operational Assets - Fig 1

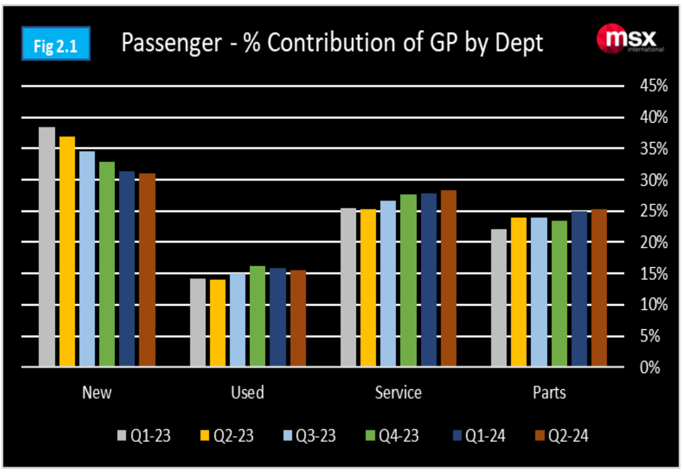
The trend Returns on Operational Asset in Fig 1, continue to reflect the difficult trading conditions faced in each of the three segments making up the Automotive Retail sector. Commercial vehicles continue to buck the negative trend being experience in Luxury and Passenger segments. The three main performance levers, being % Mix , % Retained and Asset Activity are examined to determine which contributes to the declining performance.



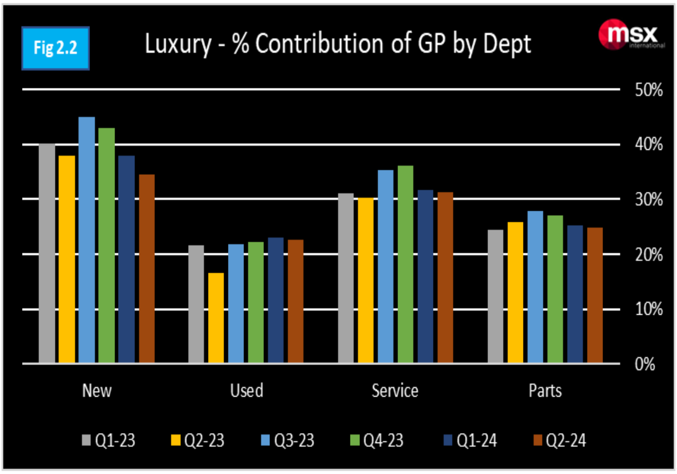
% Mix – Fig 2

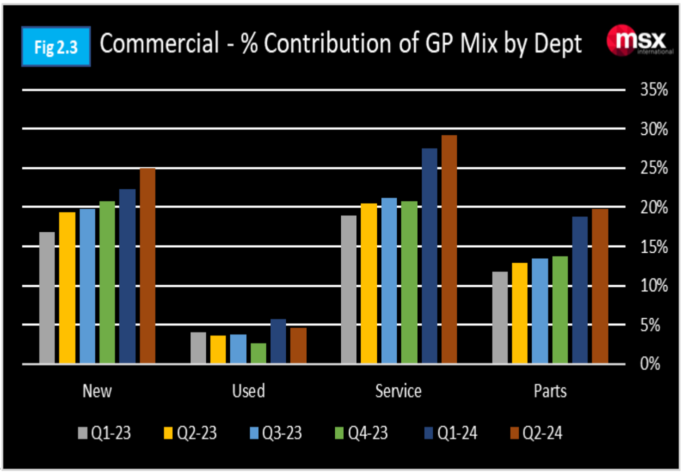
The % Mix for Luxury points to a small upward trend , while its declining for Commercial Vehicles and declining more rapidly for Passenger. The decline in the Passenger % Mix is related to decline in volumes year on year and highly competitive pricing in the low end of the market.





The proportion of the % Mix from each department to the total gross profit is reported in each of the tables 2,1 to 2.3 for each of the three segments in Automotive Retail. Key observations Fig 1 Passenger - a declining contribution from new departments partly offset by gains in used, service and parts. Fig 2 Luxury - Also shows a decline in the contribution from Luxury with gains in used, service and parts. Fig 3 – Commercial Vehicles shows a steady increase quarter on quarter, with gains in used, service and parts departments.

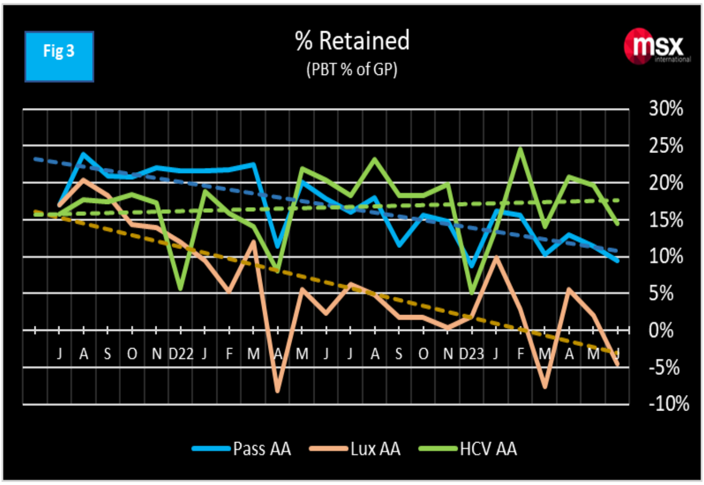


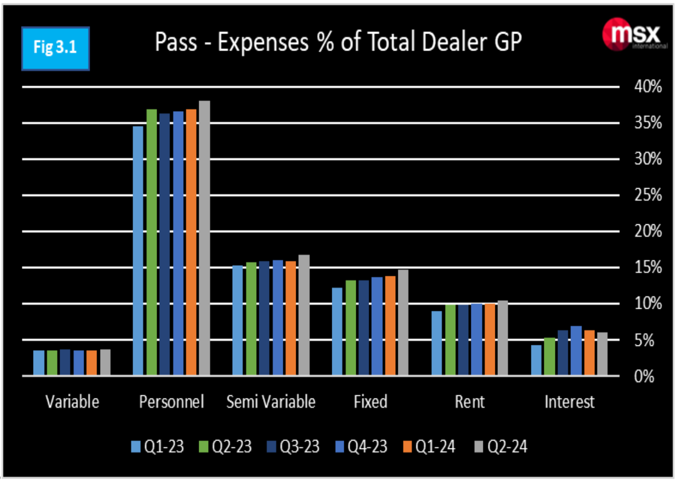


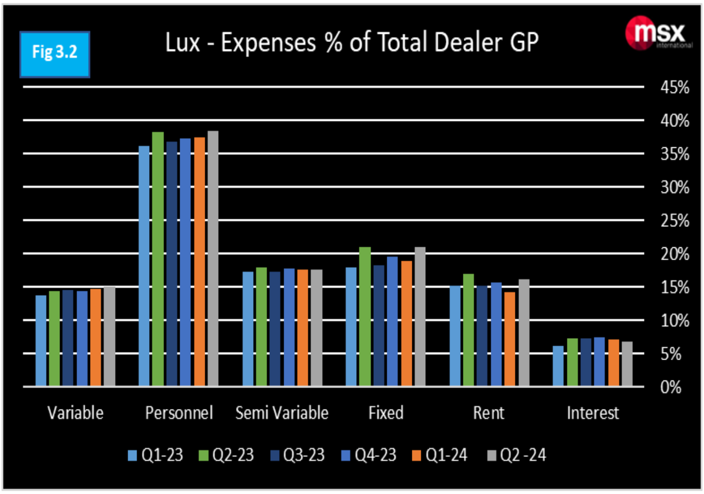
% Retained – Fig 3

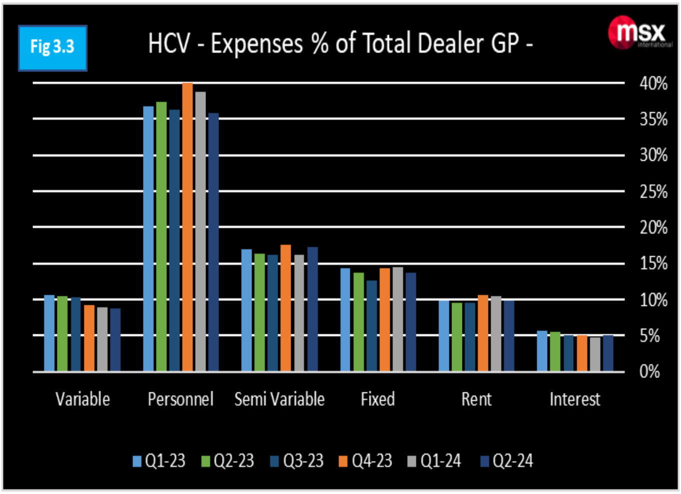
The % Retained is the Net Profit expressed as a % of the Gross Profit. It's a reflection of management's ability to control expenditure. A decline in Retained is an indication that expenditure in relation to Mix (GP) needs to be reduced. A rise in Retained is an indication that Mix is growing at a faster rate than expenditure.

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.



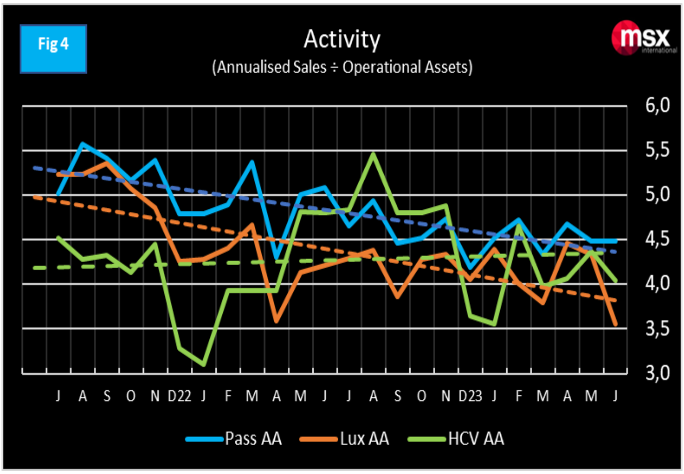


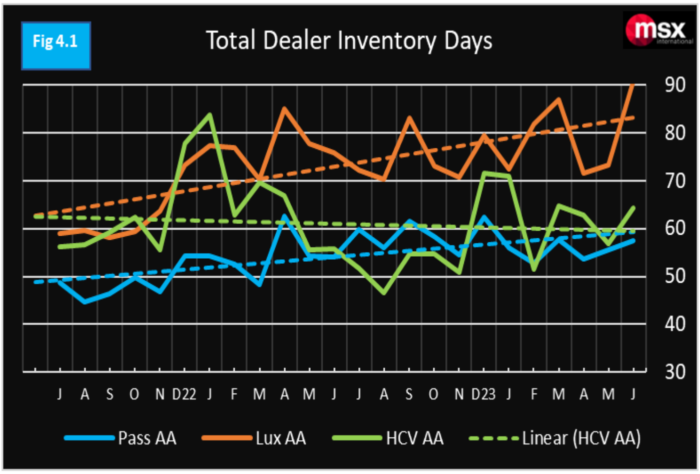




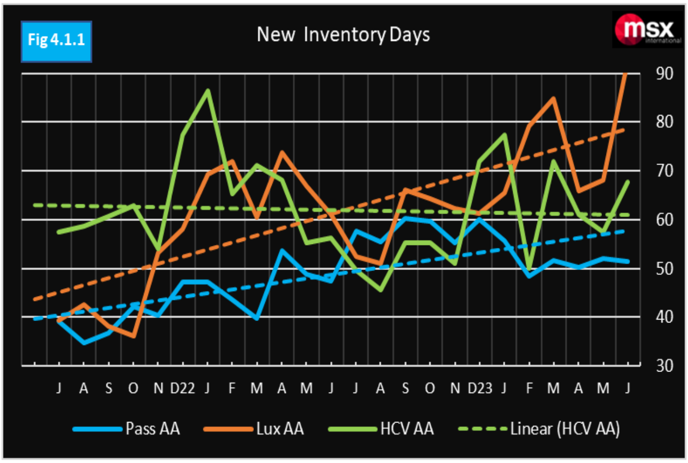
Asset Activity- Fig 4 and Fig 4.1

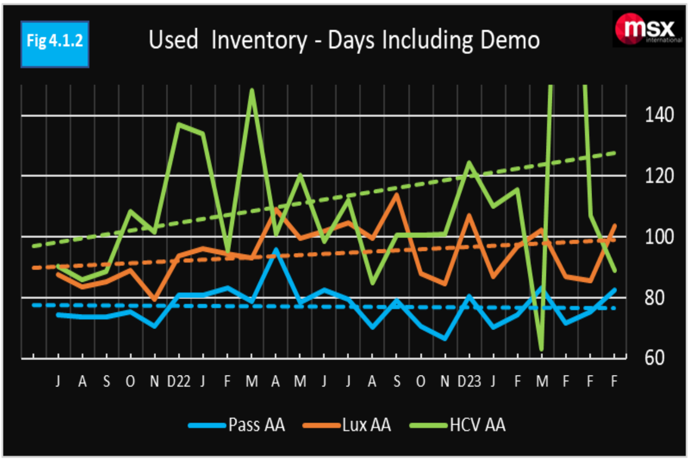
Activity measures the number of times operational assets are cycled in a year. Operational Assets excludes land and buildings and goodwill. It's the parcel of assets available to management to generate profits. The overall decline in Activity (Fig4)correlates with the known decline in sales volumes. The steady increase in Total Inventory Days (Fig4.1) Indicates a buildup in inventory.

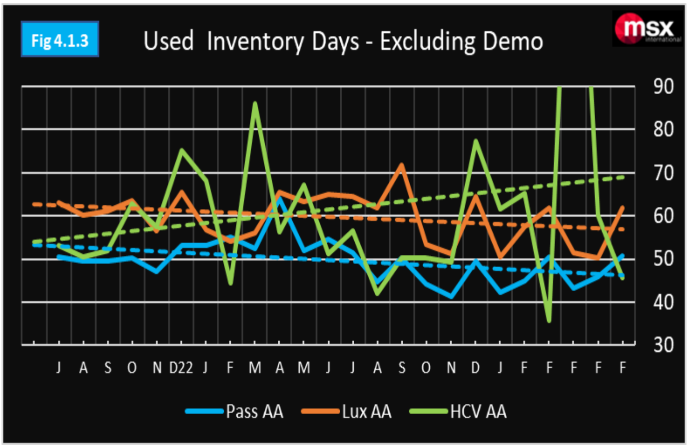


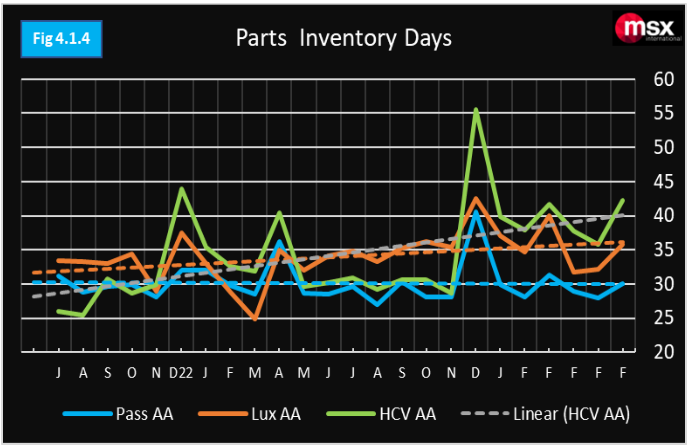


New Inventory Days (Fig.4.1.1) continues to increase. So to with Used Inventory Days (Fig 4.1.2) including and excluding Demo(Fig 4.1.3). Parts Inventory days (Fig 4.1.4) feature a rise in Commercial Vehicle levels.



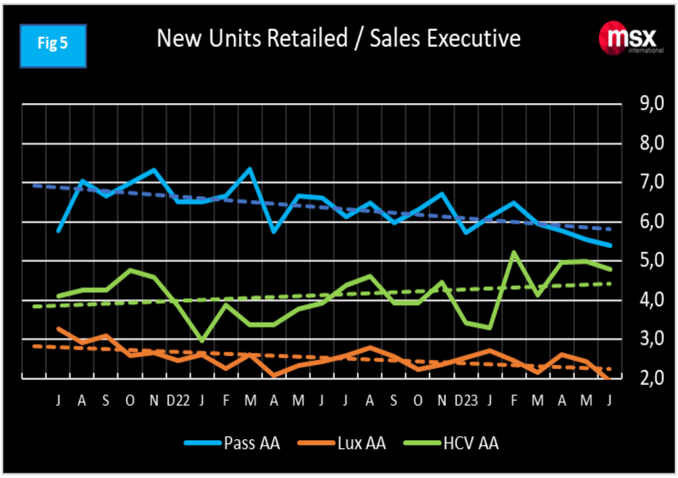


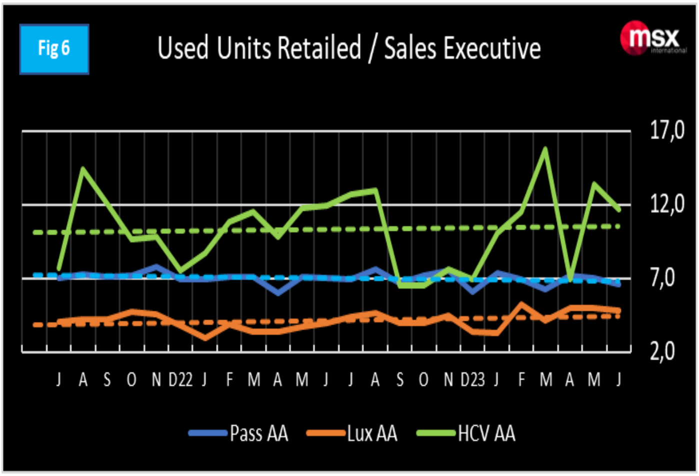




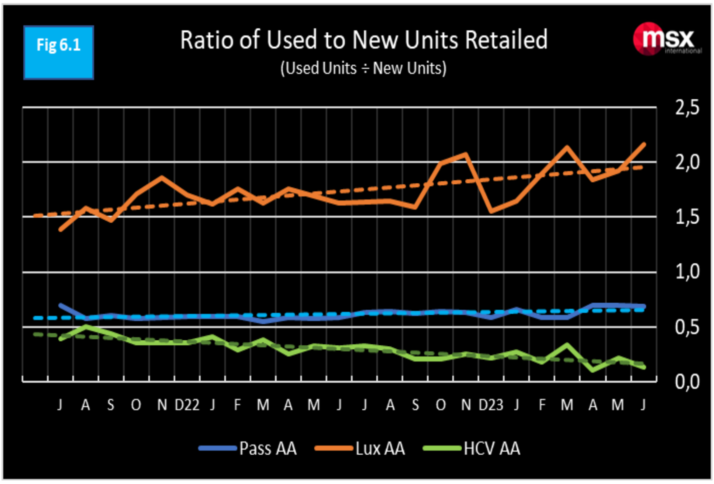
Dealership Productivity Metrics

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.

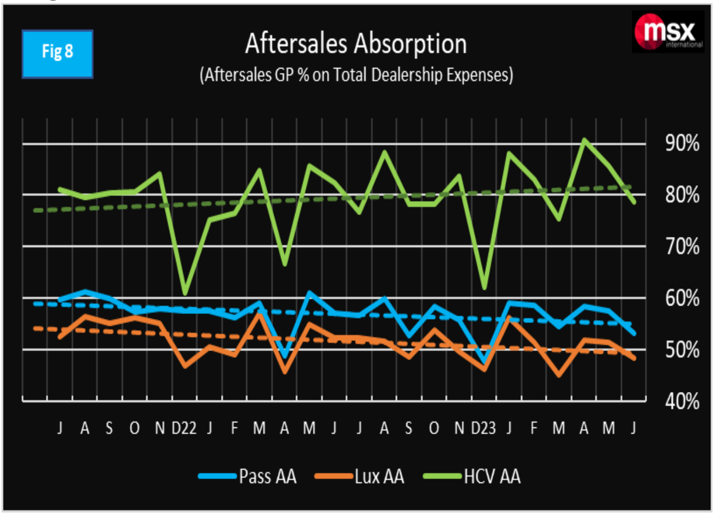




Ratio of Used to New (Fig 6.1)
The trend of the ratio of used to new vehicles retailed is unchanged. Used vehicle sales, as reported by dealers continue to outpace the sale of new vehicles.

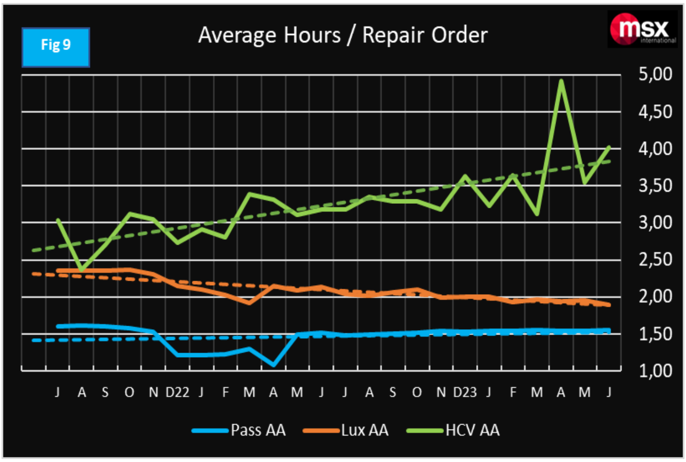


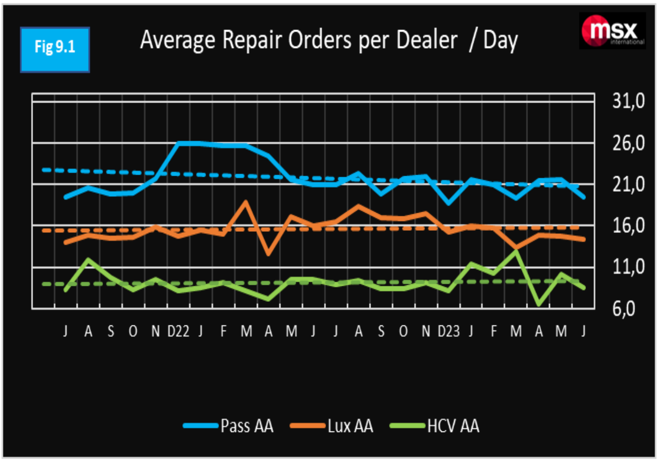
Aftersales Absorption - Fig 8
Aftersales Absorption expresses the gross profit contribution from Parts and Service departments to the Total Expenses of the Dealership. It is also a risk indicator in that any reduction below the norm (+- 60%) puts a dealership at risk in terms of reliance on new and use trading, where market conditions as they are at present, are resulting in in lower new and used trading volumes

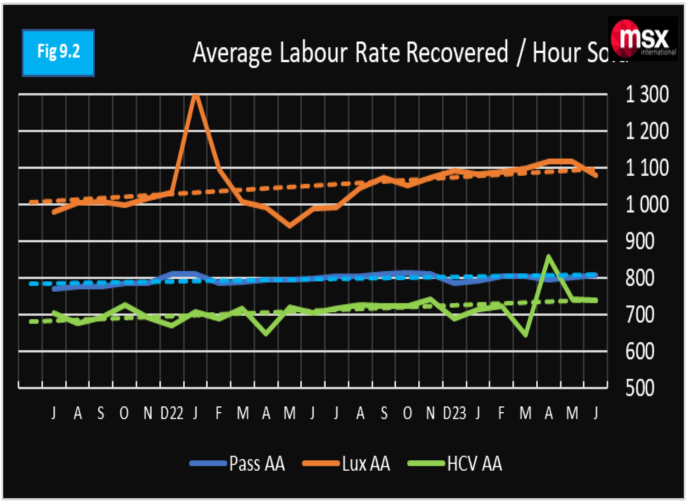


Service Productivity Figs 9, 9.1 and 9.2

Consistent trends (Fig 9)prevail with a upturn in average hours/repair order for Commercial Vehicles. A consistent pattern in ROs per day (Fig 9.1) is showing. Labour rates (Fig 9.2)continue to show a month on month rise.

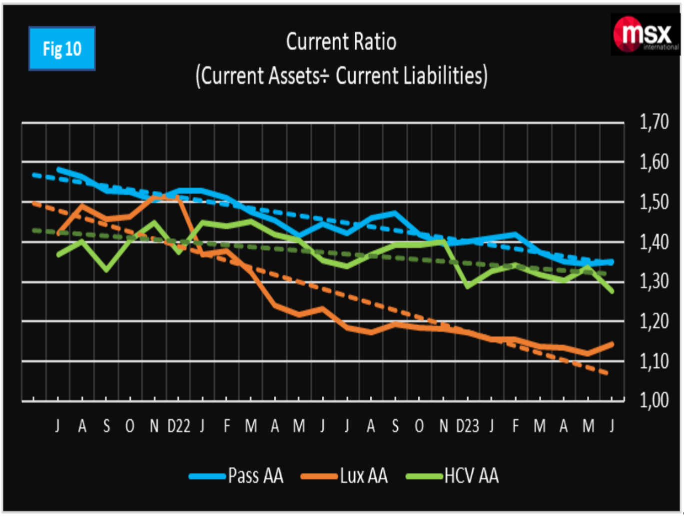


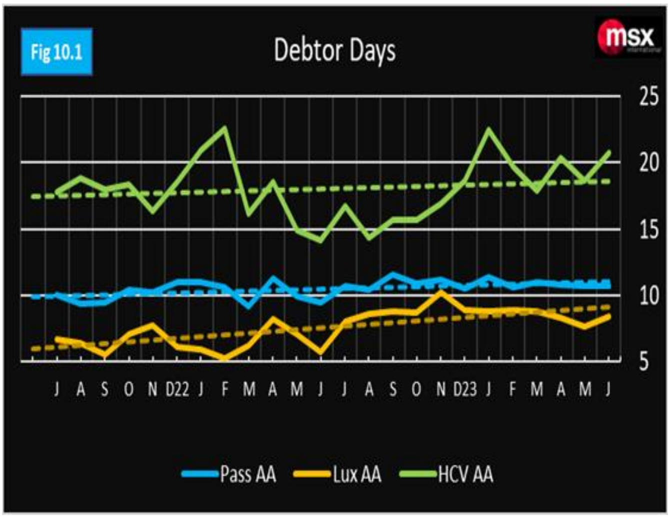




Dealership Liquidity : Current Ratio – Fig 10

The current ratio is used across many industries locally and globally to indicate liquidity in a business. The norm is a cover of 2 to 1 current assests to current liabilities. The decline in the Current Ratio (Fig 10) is a red flag indicating that liquidity levels are dropping, requiring of dealers to shephard their cash resources. Debtor levels reamin steady indicating this aspect of financial operations is well controlled.





Short Term Future Prospects for Automotive Retail South Africa

South Africa from a economic perspective, is on a positive trajectory, with improved political stability and efforts by all stakeholders to align efforts to drive growth and reduce unemployment.

The legacy impact of load shedding will hamper growth, as will continued efforts to manage inflation. International events including elections with South Africa's principal trade partners will have a local impact, as will the areas of international conflict

Short term prospects for Automotive Retail in South Africa are positive, given the boyant sentiment post the elections. The impact of inflation management by the Reserve Bank will have a downside effect which potentially will be offset by a strengthing Rand , lower fuel prices possibilities and moderate demand for commodities.

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