

A circular inset image showing a close-up of a car's side mirror. The mirror reflects a white car on a road, with a blurred green landscape in the background. The image is framed by a red border and a grey outer ring.

**2023**

# **INTERIM RESULTS**

FOR THE SIX MONTHS ENDED 31 AUGUST

COMBINED MOTOR HOLDINGS

# GROUP OPERATIONS

## Retail motor dealerships



## Divisions

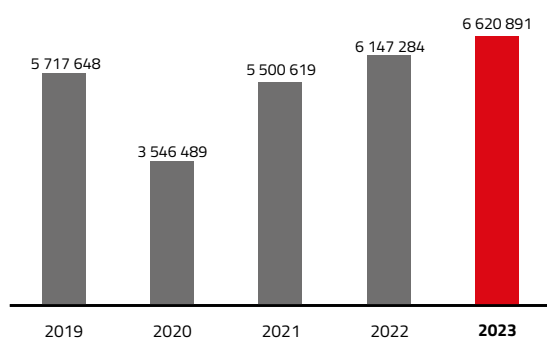


PROTON  
Distribution

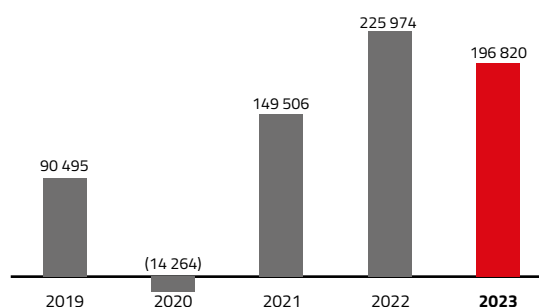
# CONSOLIDATED FINANCIAL HIGHLIGHTS

		Change %	Unaudited 6 months 31 August 2023	Unaudited 6 months 31 August 2022	Audited 12 months 28 February 2023
Total assets	(R'000)	9	4 796 191	4 398 478	4 976 881
Cash resources	(R'000)	(18)	496 016	601 817	761 876
Net asset value per share	(cents)	8	1 687	1 564	1 690
Revenue	(R'000)	8	6 620 891	6 147 284	12 434 375
Operating profit	(R'000)	(2)	363 205	372 291	773 412
Total profit and comprehensive income	(R'000)	(13)	196 820	225 974	443 461
Earnings per share	(cents)	(13)	263,1	302,1	592,8
Headline earnings per share	(cents)	(13)	263,1	302,1	617,1
Dividend paid per share	(cents)				393,0
Dividend per share in respect of 6 months to August 2023 – payable December 2023	(cents)	(13)	146,0	168,0	

REVENUE  
FOR THE SIX MONTHS ENDED 31 AUGUST (R'000)



TOTAL PROFIT AND COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 AUGUST (R'000)



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2023

	Unaudited 31 August 2023 R'000	Unaudited 31 August 2022 R'000	Audited 28 February 2023 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	95 671	96 794	98 104
Right-of-use assets	447 429	512 702	504 679
Car hire fleet vehicles	1 083 864	955 317	1 247 595
Goodwill	39 625	57 296	39 625
Insurance contracts receivable	46 614	59 514	28 527
Deferred taxation	94 808	87 317	93 357
	<b>1 808 011</b>	<b>1 768 940</b>	<b>2 011 887</b>
<b>Current assets</b>			
Inventories	2 028 557	1 634 402	1 865 244
Trade and other receivables	463 607	393 319	337 655
Current tax receivable	–	–	219
Cash and cash equivalents	496 016	601 817	761 876
	<b>2 988 180</b>	<b>2 629 538</b>	<b>2 964 994</b>
<b>Total assets</b>	<b>4 796 191</b>	<b>4 398 478</b>	<b>4 976 881</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	38 091	38 091	38 091
Share-based payment reserve	7 765	5 769	7 970
Retained earnings	1 216 339	1 126 405	1 218 224
<b>Total equity</b>	<b>1 262 195</b>	<b>1 170 265</b>	<b>1 264 285</b>
<b>Non-current liabilities</b>			
Car hire fleet liabilities	123 940	199 066	266 425
Lease liabilities	510 541	559 919	551 548
Contract liabilities	4 511	–	3 424
	<b>638 992</b>	<b>758 985</b>	<b>821 397</b>
<b>Current liabilities</b>			
Trade and other payables	1 942 387	1 641 017	1 834 172
Car hire fleet liabilities	848 786	710 258	936 306
Lease liabilities	101 859	105 041	112 282
Contract liabilities	1 555	–	1 464
Current tax liabilities	417	12 912	6 975
	<b>2 895 004</b>	<b>2 469 228</b>	<b>2 891 199</b>
<b>Total liabilities</b>	<b>3 533 996</b>	<b>3 228 213</b>	<b>3 712 596</b>
<b>Total equity and liabilities</b>	<b>4 796 191</b>	<b>4 398 478</b>	<b>4 976 881</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

		Unaudited 6 months 31 August 2023 R'000	Unaudited 6 months 31 August 2022 R'000	Audited 12 months 28 February 2023 R'000
Revenue				
Motor, car hire and corporate services		6 557 683	6 081 857	12 300 446
Insurance services		63 208	65 427	133 929
Cost of sales				
Motor, car hire and corporate services		(5 332 277)	(4 913 147)	(9 991 992)
Insurance services		(19 455)	(21 037)	(45 467)
Gross profit		1 269 159	1 213 100	2 396 916
Other income		3 061	4 080	26 094
Impairment of goodwill		–	–	(17 671)
Selling and administration expenses		(886 326)	(824 497)	(1 548 954)
Insurance services expenses		(22 689)	(20 392)	(82 973)
Operating profit		363 205	372 291	773 412
Finance income		26 551	15 782	39 792
Finance costs		(128 245)	(73 537)	(192 764)
Profit before taxation		261 511	314 536	620 440
Tax expense		(64 691)	(88 562)	(176 979)
Total profit and comprehensive income		196 820	225 974	443 461
<b>RECONCILIATION OF HEADLINE EARNINGS</b>				
Total profit and comprehensive income		196 820	225 974	443 461
Re-measurement items				
– impairment of goodwill		–	–	17 671
– loss/(profit) on sale of plant and equipment				
– gross		27	(26)	630
– impact of income tax		(7)	7	(176)
Headline earnings		196 840	225 955	461 586
Weighted average number of shares in issue	('000)	74 802	74 802	74 802
<b>EARNINGS PER SHARE</b>				
Basic	(cents)	263,1	302,1	592,8
Diluted basic	(cents)	255,1	293,9	574,8
Headline	(cents)	263,1	302,1	617,1
Diluted headline	(cents)	255,1	293,9	598,3
<b>DIVIDENDS PER SHARE</b>				
Dividend paid				393,0
In respect of six months to August 2023				
– payable December 2023	(cents)	146,0	168,0	

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 28 February 2022</b>	38 091	3 567	1 068 735	1 110 393
Total profit and comprehensive income			225 974	225 974
Share-based payment charge		2 202		2 202
Dividends paid			(168 304)	(168 304)
<b>Balance at 31 August 2022</b>	38 091	5 769	1 126 405	1 170 265
Total profit and comprehensive income			217 487	217 487
Share-based payment charge		2 201		2 201
Dividends paid			(125 668)	(125 668)
<b>Balance at 28 February 2023</b>	38 091	7 970	1 218 224	1 264 285
Total profit and comprehensive income			196 820	196 820
Release following exercise of share appreciation rights		(2 730)	2 730	–
Cost of shares delivered in terms of share appreciation rights scheme			(21 910)	(21 910)
Share-based payment charge		2 525		2 525
Dividends paid			(179 525)	(179 525)
<b>Balance at 31 August 2023</b>	38 091	7 765	1 216 339	1 262 195

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

	Unaudited 6 months 31 August 2023 R'000	Unaudited 6 months 31 August 2022 R'000	Audited 12 months 28 February 2023 R'000
<b>Cash flows from operating activities</b>			
Operating profit	363 205	372 291	773 412
Adjustments for non-cash items	99 792	103 661	305 404
Sale of car hire fleet vehicles	372 227	184 389	346 631
Purchase of car hire fleet vehicles	(250 522)	(364 768)	(899 569)
Working capital changes	(411 055)	(110 072)	201 312
Cash generated from operations	173 647	185 501	727 190
Taxation paid	(65 444)	(80 777)	(184 827)
Net cash movement from operating activities	108 203	104 724	542 363
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	(18 536)	(46 712)	(67 238)
Proceeds on disposal of plant and equipment	1 704	862	2 596
Finance income received*	20 912	–	30 808
Investment in special purpose entities conducting insurance underwriting activities	–	–	(250)
Dividend received from special purpose entities conducting insurance underwriting activities	1 578	3 736	27 024
Net cash movement from investing activities	5 658	(42 114)	(7 060)
<b>Cash flows from financing activities</b>			
Cost of shares delivered in terms of share appreciation rights scheme	(21 910)	–	–
Finance income received*	–	13 919	–
Finance costs paid	(128 245)	(73 537)	(192 764)
Principal element of lease liability repayments	(50 041)	(50 610)	(104 430)
Dividends paid	(179 525)	(168 304)	(293 972)
Net cash movement from financing activities	(379 721)	(278 532)	(591 166)
Net movement in cash and cash equivalents	(265 860)	(215 922)	(55 863)
Cash and cash equivalents at beginning of period	761 876	817 739	817 739
<b>Cash and cash equivalents at end of period</b>	<b>496 016</b>	<b>601 817</b>	<b>761 876</b>

\* In line with the year ended 28 February 2023, finance income received has been included in "Cash flows from investing activities" in the current period as it forms part of the Group's return on investment. This was included in "Cash flows from financing activities" in the six months ended 31 August 2022. The consolidated statement of cash flows has not been restated as the amount reclassified is immaterial.

# CONSOLIDATED SEGMENT INFORMATION

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

	Total R'000	Motor retail/ distribution R'000	Car hire R'000	Financial services R'000	Corporate services/Other R'000
<b>2023</b>					
External revenue	6 620 891	6 082 076	447 104	70 649	21 062
Inter-segment revenue	17 656	–	155	–	17 501
Segment revenue	6 638 547	6 082 076	447 259	70 649	38 563
Operating profit/(loss)	363 205	149 175	204 293	28 505	(18 768)
Finance income	39 041	–	–	5 639	33 402
– external	26 551	–	–	5 639	20 912
– inter-segment	12 490	–	–	–	12 490
Finance costs	(140 735)	(72 199)	(67 027)	–	(1 509)
– external	(128 245)	(72 199)	(54 537)	–	(1 509)
– inter-segment	(12 490)	–	(12 490)	–	–
<b>Profit before taxation</b>	<b>261 511</b>	<b>76 976</b>	<b>137 266</b>	<b>34 144</b>	<b>13 125</b>
After charging					
– employee costs	468 929	375 485	54 617	–	38 827
– short-term lease charges	53 478	40 473	12 411	–	594
– depreciation					
– plant and equipment	19 238	15 037	425	–	3 776
– right-of-use assets	55 861	51 390	1 920	–	2 551
– car hire fleet vehicles	113 095	–	113 095	–	–
<b>Total assets</b>	<b>4 796 191</b>	<b>3 013 854</b>	<b>1 189 573</b>	<b>54 055</b>	<b>538 709</b>
<b>Total liabilities</b>	<b>3 533 996</b>	<b>2 462 168</b>	<b>1 047 872</b>	<b>–</b>	<b>23 956</b>
<b>Goodwill at period-end</b>	<b>39 625</b>	<b>39 625</b>	<b>–</b>	<b>–</b>	<b>–</b>
	Total R'000	Motor retail/ distribution R'000	Car hire R'000	Financial services R'000	Corporate services/Other R'000
<b>2022</b>					
External revenue	6 147 284	5 672 758	369 787	73 069	31 670
Inter-segment revenue	19 411	–	161	–	19 250
Segment revenue	6 166 695	5 672 758	369 948	73 069	50 920
Operating profit/(loss)	372 291	199 511	155 506	28 638	(11 364)
Finance income	15 782	–	–	1 863	13 919
Finance costs	(73 537)	(39 728)	(32 801)	–	(1 008)
<b>Profit before taxation</b>	<b>314 536</b>	<b>159 783</b>	<b>122 705</b>	<b>30 501</b>	<b>1 547</b>
After charging					
– employee costs	463 257	375 919	46 010	–	41 328
– short-term lease charges	51 218	39 001	11 318	–	899
– depreciation					
– plant and equipment	16 514	13 171	470	–	2 873
– right-of-use assets	55 530	52 950	1 579	–	1 001
– car hire fleet vehicles	53 437	–	53 437	–	–
<b>Total assets</b>	<b>4 398 478</b>	<b>2 669 795</b>	<b>1 044 775</b>	<b>67 156</b>	<b>616 752</b>
<b>Total liabilities</b>	<b>3 228 213</b>	<b>2 213 746</b>	<b>982 158</b>	<b>–</b>	<b>32 309</b>
<b>Goodwill at period-end</b>	<b>57 296</b>	<b>57 296</b>	<b>–</b>	<b>–</b>	<b>–</b>



# COMMENTARY

In the face of the strong headwinds that battered the economy and, in particular, the motor industry, the Board is satisfied that the results achieved reflect a creditable return. Facing the perfect storm combination of continuing power cuts, rising interest rates and fuel prices, and a devaluing currency, the Group returned headline earnings down 13% on the comparative period. The decline experienced by the motor division was offset to an extent by pleasing results from both the car hire and financial services segments.

The return on shareholders' funds during the period was 31%, and the financial structure remains sound and liquid.

## MOTOR RETAIL/DISTRIBUTION

During the first half of last financial year, the industry was lamenting the slow arrival of new vehicle inventory following covid-related component shortages. Orders that should have been cancelled when not delivered timeously have now been delivered in such abundance that many of the manufacturers are grossly over-stocked. The manufacturers are now attempting to transfer the inventory pressure to the dealer network which is currently both incentivised and threatened to increase unit volume sales.

The drive for volume has had a negative effect on new vehicle trading margins as incentives are passed on to customers. However, even the reduced prices are not able to stimulate activity as consumers are stressed by high inflation and maximum debt capacity. The finance houses have recognised the financial dilemma and, to protect themselves, tightened their lending parameters.

The used car market has been similarly affected by the weak economy. Prices have trended downwards having been negatively influenced by significant discounts in the related new car market, and periodic dumping of retired vehicles by the car hire industry.

The workshop and parts departments, whilst slightly down, have fared better, despite both having experienced the influence of customers covering lesser distances because of the rising fuel price, and stretching their service intervals.

The import and distribution of the Proton/Saga range of vehicles had a difficult start but is slowly gaining momentum. The product has been favourably received by customers and the build quality is evidenced by negligible warranty come-backs. Although pricing compares favourably with the traditional local competitors, there is still a gap to be closed in respect of some Chinese-sourced models. The Malaysian-based manufacturers have agreed to address this disparity when orders for the new year are finalised. Brand awareness remains low and reflects the difficulty of launching a new offering in a depressed market. Costs to date have been fully expensed, the inventory level is almost in balance, and improved results are expected over the next 12 months.

The industry skills shortage persists and has been exacerbated by the reluctance of new-comers to persevere in the depressed market. An increased effort has been put into training existing staff for promotion, and enhancing selling skills and customer-handling proficiency.

## CAR HIRE

The First Car Rental business enjoyed another record-breaking period, with profit before taxation up 12%. A 21% increase in revenue helped offset a 28% hike in the average vehicle holding cost. An element of winter months discounting that

the market experienced has restricted growth in the daily hire rate. Countering this has been the strategy of releasing retired vehicles to the used car market, including the Group's own outlets, on a conservative and planned basis, thereby enabling the assets to be disposed of favourably. Overhead costs have been contained despite the increased level of activity.

## FINANCIAL SERVICES

This segment comprises the Group's insurance underwriting business and two finance joint ventures. Within the cells, the premium income level was maintained despite a marginal decrease in new and used unit sales levels. The claims ratio improved and investment income increased in line with the higher interest rates and insurance reserves. Earnings from the joint ventures remained static, and the segment's overall result was a pleasing 12% increase in profit before taxation.

## FINANCIAL STATEMENTS

Revenue increased 8%, largely as a result of the inflationary impact of new and used vehicle prices. The drive to increase new unit sales in an effort to earn manufacturer volume incentives, and the passing on to customers of discounts received from those manufacturers, squeezed the gross profit margin slightly, from 19,7% to 19,2%.

Selling and administration expenses were contained at a 7% increase, with the total employee cost component limited to 1%. The operating margin was 5,5%, compared with 6,1% in 2022. The hike in interest rates had a negative impact on both car hire and new vehicle inventory. The average size and cost of the fleet have increased 18% since 2022, and the value of new vehicle inventory is up 29%.

The reduced profit before taxation has been offset, to a degree, by a lower taxation rate, resulting in a 13% decline in headline earnings per share. The Board has recommended a proportionately reduced dividend of 146 cents per share, payable in December 2023.

The statement of financial position reflects no material unexplained movements when compared with both August 2022 and February 2023. The dividend of R179 million paid in June 2023 had the effect of reducing the period-end cash resources and the net asset value per share.

## PROSPECTS

No material changes in trading conditions are anticipated in the period ahead. The crucial factors – interest rates, inflation, load-shedding and consumer affordability – are unlikely to soften. The manufacturers will take at least 6 months to balance their inventory levels and, until then, pricing and discounts will remain erratic and volatile.

The severe discounting that the new vehicle market is experiencing does bring concerns for First Car Rental. Whilst it enables re-fleeting at a favourable cost, it has the effect of devaluing the retained fleet and placing retired vehicle values under pressure. On the upside, it is expected that the country will experience a buoyant summer season with improved tourist numbers. Forward reservations are currently 10% above the same period last year.

The Board is confident that the strengths of the Group – well-branded products, experienced management, and a sound financial structure – will enable it to continue to deliver satisfactory returns.

# COMMENTARY CONTINUED

## DIVIDEND DECLARATION

A dividend of 146 cents per share will be paid on Monday, 18 December 2023 to members reflected in the share register of the Company at the close of business on the record date, Friday, 15 December 2023. The last day to trade cum dividend is Tuesday, 12 December 2023. The first day to trade ex dividend is Wednesday, 13 December 2023. Share certificates may not be dematerialised or rematerialised from Wednesday, 13 December 2023 to Friday, 15 December 2023, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 74 801 998. Consequently, the gross dividend payable is R109 210 917,08 and will be distributed from income reserves. The dividend will be subject to dividend withholding tax at a rate of 20%, which will result in a net dividend of 116,8 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

## BASIS OF PREPARATION

The unaudited interim financial results for the six months ended 31 August 2023 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the South African Companies Act, No 71 of 2008, applicable to interim financial statements. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements for the six months ended 31 August 2023 have been prepared under the supervision of SK Jackson CA(SA), financial director. The results have not been reviewed nor audited by the Group's external auditor, KPMG Inc.

The accounting policies applied in the preparation of the unaudited interim financial results are in terms of IFRS and, other than the implementation of IFRS 17: Insurance Contracts, are consistent with those applied in the annual financial statements for the year ended 28 February 2023 and the prior interim reporting period.

## CHANGE IN ACCOUNTING POLICY

Insurance underwriting activities are conducted through special purpose entities, managed by external service providers. These activities were previously accounted for in terms of IFRS 4: Insurance Contracts. IFRS 17: Insurance Contracts became effective for the Group on 1 March 2023. IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. The new standard is expected to provide more transparent reporting about the financial position and risk related to the insurance contracts. Implementation has resulted in changes in disclosure in the statements of financial position and comprehensive income. The new disclosure has been presented in the current period. Implementation has not had a material impact on values reported and no restatement is considered necessary.

## CORPORATE GOVERNANCE

The Group is committed to maintaining the high standards of governance as embodied in the King IV Report on Corporate Governance ("the Report") and applies the principles and the appropriate best business practices as recorded in the Report. The Group also complies with the corporate governance requirements set out in the JSE Limited Listings Requirements.

There has been no change in directors since the release, in May 2023, of the results for the year ended 28 February 2023.

By order of the board of directors

**K Fonseca CA(SA)**

*Company Secretary*

12 October 2023

# CORPORATE INFORMATION

## COMBINED MOTOR HOLDINGS LIMITED

Registration number: 1965/000270/06  
Income tax reference number: 9471/712/71/2  
Share code: CMH  
ISIN: ZAE000088050

## DIRECTORS

JS Dixon (chairman)\*  
JD McIntosh (chief executive officer)  
BWJ Barritt  
SK Jackson  
ME Jones\*  
RT Komane\*  
JA Mabena\*  
AY Metu\*  
MR Nkadimeng\*

\* *Independent non-executive*

## TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
Private Bag X9000  
Saxonworld, 2132

## AUDITOR

KPMG Inc.

## COMPANY SECRETARY

K Fonseca

## WEBSITE

[www.cmh.co.za](http://www.cmh.co.za)

## BUSINESS ADDRESS AND REGISTERED OFFICE

1 Wilton Crescent  
Umhlanga Ridge, 4319

## POSTAL ADDRESS

PO Box 1033  
Umhlanga Rocks, 4320

## SPONSOR

PricewaterhouseCoopers Corporate Finance  
Proprietary Limited  
4 Lisbon Lane  
Waterfall City  
Jukskei View, 2090