



2024

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST





COMBINED MOTOR HOLDINGS LIMITED


GROUP OPERATIONS


Retail motor dealerships

	
	
	
	
 <small>Global Intelligent SUV Expert</small>	
	
	
	
	
	
	
	
	
	
	

Divisions

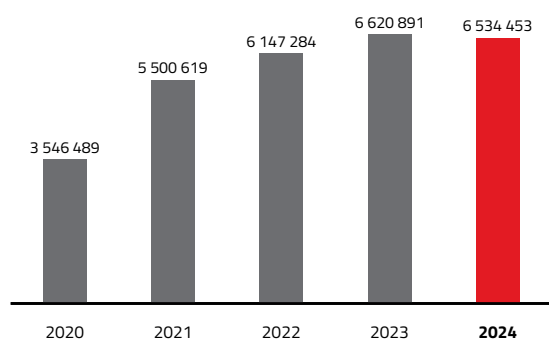




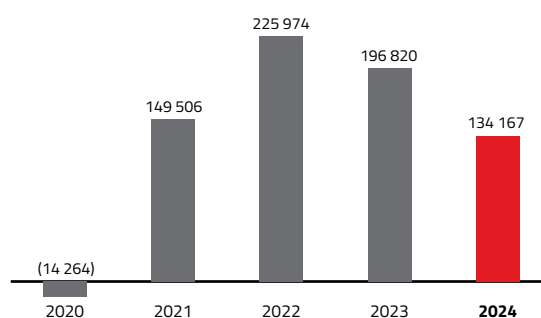

CONSOLIDATED FINANCIAL HIGHLIGHTS

		Change %	Unaudited 6 months 31 August 2024	Unaudited 6 months 31 August 2023	Audited 12 months 29 February 2024
Total assets	(R'000)	3	4 938 139	4 796 191	5 185 446
Cash resources	(R'000)	36	673 820	496 016	815 105
Net asset value per share	(cents)	5	1 768	1 687	1 828
Revenue	(R'000)	(1)	6 534 453	6 620 891	12 839 564
Operating profit	(R'000)	(22)	283 920	363 205	781 164
Total profit and comprehensive income	(R'000)	(32)	134 167	196 820	408 484
Earnings per share	(cents)	(32)	179,4	263,1	546,1
Headline earnings per share	(cents)	(32)	179,3	263,1	541,8
Dividend paid per share	(cents)				386,0
Dividend per share in respect of 6 months to August 2024 – payable December 2024	(cents)	(30)	102,0	146,0	

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 2024

	Unaudited 31 August 2024 R'000	Unaudited 31 August 2023 R'000	Audited 29 February 2024 R'000
ASSETS			
Non-current assets			
Plant and equipment	102 894	95 671	100 154
Right-of-use assets	394 750	447 429	451 946
Car hire fleet vehicles	1 112 899	1 083 864	1 278 275
Goodwill	39 625	39 625	39 625
Insurance contracts receivable	56 103	46 614	34 632
Deferred taxation	90 116	94 808	89 766
	1 796 387	1 808 011	1 994 398
Current assets			
Inventories	2 028 482	2 028 557	1 966 346
Trade and other receivables	436 871	463 607	392 628
Current tax receivable	2 579	-	16 969
Cash and cash equivalents	673 820	496 016	815 105
	3 141 752	2 988 180	3 191 048
Total assets	4 938 139	4 796 191	5 185 446
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	38 091	38 091	38 091
Share-based payment reserve	11 589	7 765	10 838
Retained earnings	1 272 526	1 216 339	1 318 791
Total equity	1 322 206	1 262 195	1 367 720
Non-current liabilities			
Car hire fleet liabilities	85 284	123 940	292 025
Lease liabilities	446 353	510 541	489 557
Contract liabilities	7 666	4 511	7 099
	539 303	638 992	788 681
Current liabilities			
Trade and other payables	1 921 712	1 942 387	1 976 221
Car hire fleet liabilities	1 044 450	848 786	922 555
Lease liabilities	107 004	101 859	122 881
Contract liabilities	1 563	1 555	1 447
Current tax liabilities	1 901	417	5 941
	3 076 630	2 895 004	3 029 045
Total liabilities	3 615 933	3 533 996	3 817 726
Total equity and liabilities	4 938 139	4 796 191	5 185 446

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

	Unaudited 6 months 31 August 2024 R'000	Unaudited 6 months 31 August 2023 R'000	Audited 12 months 29 February 2024 R'000
Revenue			
Motor retail and distribution	6 030 467	6 082 076	11 739 492
Car hire	421 192	447 104	890 668
Financial services			
– insurance	56 717	63 208	132 000
– other	4 524	7 441	16 146
Corporate services/other	21 553	21 062	61 258
	6 534 453	6 620 891	12 839 564
Cost of sales	(5 301 073)	(5 351 732)	(10 313 533)
Gross profit	1 233 380	1 269 159	2 526 031
Other income	3 768	3 061	32 211
Selling and administration expenses	(953 228)	(909 015)	(1 777 078)
Operating profit	283 920	363 205	781 164
Finance income	28 836	26 551	55 805
Finance costs	(135 735)	(128 245)	(280 013)
Profit before taxation	177 021	261 511	556 956
Tax expense	(42 854)	(64 691)	(148 472)
Total profit and comprehensive income	134 167	196 820	408 484

RECONCILIATION OF HEADLINE EARNINGS				
Total profit and comprehensive income		134 167	196 820	408 484
Re-measurement items				
– recoupment of previously impaired goodwill		–	–	(3 171)
– (profit)/loss on sale of plant and equipment				
– gross		(13)	27	(41)
– impact of income tax		3	(7)	11
Headline earnings		134 157	196 840	405 283
Weighted average number of shares in issue	('000)	74 802	74 802	74 802
EARNINGS PER SHARE				
Basic	(cents)	179,4	263,1	546,1
Diluted basic	(cents)	177,3	255,1	535,9
Headline	(cents)	179,3	263,1	541,8
Diluted headline	(cents)	177,3	255,1	531,7
DIVIDENDS PER SHARE				
Dividend paid	(cents)			386,0
In respect of six months to August 2024				
– payable December 2024	(cents)	102,0	146,0	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 28 February 2023	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)
Balance at 31 August 2023	38 091	7 765	1 216 339	1 262 195
Total profit and comprehensive income			211 663	211 663
Share-based payment charge		3 073		3 073
Dividends paid			(109 211)	(109 211)
Balance at 29 February 2024	38 091	10 838	1 318 791	1 367 720
Total profit and comprehensive income			134 167	134 167
Release following exercise of share appreciation rights		(2 431)	2 431	–
Cost of shares delivered in terms of share appreciation rights scheme			(18 299)	(18 299)
Share-based payment charge		3 182		3 182
Dividends paid			(164 564)	(164 564)
Balance at 31 August 2024	38 091	11 589	1 272 526	1 322 206

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

	Unaudited 6 months 31 August 2024 R'000	Unaudited 6 months 31 August 2023 R'000	Audited 12 months 29 February 2024 R'000
Cash flows from operating activities			
Operating profit	283 920	363 205	781 164
Adjustments for non-cash items	112 746	99 792	174 037
Sale of car hire fleet vehicles	400 373	372 227	684 030
Purchase of car hire fleet vehicles	(292 194)	(250 522)	(770 987)
Working capital changes	(245 734)	(411 055)	(2 177)
Cash generated from operations	259 111	173 647	866 067
Taxation paid	(24 551)	(65 444)	(146 135)
Net cash movement from operating activities	234 557	108 203	719 932
Cash flows from investing activities			
Purchase of plant and equipment	(23 007)	(18 536)	(48 976)
Proceeds on disposal of plant and equipment	1 446	1 704	5 752
Finance income received	22 227	20 912	42 909
Dividend received from special purpose entities conducting insurance underwriting activities	1 171	1 578	38 364
Net cash movement from investing activities	1 837	5 658	38 049
Cash flows from financing activities			
Cost of shares delivered in terms of share appreciation rights scheme	(18 299)	(21 910)	(21 910)
Finance costs paid	(135 735)	(128 245)	(280 013)
Principal element of lease liability repayments	(59 081)	(50 041)	(114 093)
Dividends paid	(164 564)	(179 525)	(288 736)
Net cash movement from financing activities	(377 679)	(379 721)	(704 752)
Net movement in cash and cash equivalents	(141 285)	(265 860)	53 229
Cash and cash equivalents at beginning of period	815 105	761 876	761 876
Cash and cash equivalents at end of period	673 820	496 016	815 105

CONSOLIDATED SEGMENT INFORMATION

FOR THE SIX MONTHS ENDED 31 AUGUST 2024

	Total R'000	Motor retail/ distribution R'000	Car hire R'000	Financial services R'000	Corporate services/Other R'000
2024					
External revenue	6 534 453	6 030 467	421 192	61 241	21 553
Inter-segment revenue	18 165	–	275	–	17 890
Segment revenue	6 552 618	6 030 467	421 467	61 241	39 443
Operating profit/(loss)	283 920	126 075	154 153	28 859	(25 167)
Finance income	41 088	–	–	6 609	34 479
– external	28 836	–	–	6 609	22 227
– inter-segment	12 252	–	–	–	12 252
Finance costs	(147 987)	(75 967)	(70 511)	–	(1 509)
– external	(135 735)	(72 706)	(61 520)	–	(1 509)
– inter-segment	(12 252)	(3 260)	(8 991)	–	–
Profit before taxation	177 021	50 108	83 642	35 468	7 803
After charging					
– employee costs	484 849	384 964	59 533	–	40 352
– short-term lease charges	53 778	38 655	14 371	–	752
– depreciation					
– plant and equipment	18 835	15 431	621	–	2 783
– right-of-use assets	57 196	52 725	1 920	–	2 551
– car hire fleet vehicles	87 608	–	87 608	–	–
Total assets	4 938 139	2 954 876	1 244 855	70 099	668 309
Total liabilities	3 615 933	2 366 101	1 210 951	–	38 881
Goodwill at period-end	39 625	39 625	–	–	–
2023					
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)	–	–
Profit before taxation	261 511	76 976	137 266	34 144	13 125
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	–	–
Total assets	4 796 191	3 013 854	1 189 573	54 055	538 709
Total liabilities	3 533 996	2 462 168	1 047 872	–	23 956
Goodwill at period-end	39 625	39 625	–	–	–

COMMENTARY

The Report of the CEO in the 2024 Annual Report cautioned against the year ahead being filled with uncertainty, and driven by continued high interest rates, a weak currency, and the impending national and provincial elections. It proved to be so, with erratic monthly results culminating in a 32% decline in earnings and headline earnings per share. The drop was principally attributable to poor returns during the month of May, during the build-up to the elections, and June, when the results were analysed and the tentative Government of National Unity (GNU) formed. Consumer confidence was low and reluctance to spend on big-ticket items was evident.

Despite the earnings reversal, the Group structure remains sound, and continued cash generation has enabled the recommendation of a generous dividend of 102 cents per share.

MOTOR RETAIL/DISTRIBUTION

The Group's new vehicle unit sales recorded a fall of 8%, which was in line with the national market in respect of passenger and light commercial vehicles. Both the Group and country suffered severely during the election period. In addition, tough competition, particularly in respect of new Chinese entrants to an already saturated local market, has created intense trading margin pressure. The traditional brands, with local manufacturing investment, are struggling to compete against the flood of cheaper import alternatives.

Although used vehicle unit sales were down 7%, trading margins showed some improvement. Inventory levels were trimmed and ageing improved. The fleet levels of the major car hire operators appear to have stabilised, and there have been fewer instances of surplus vehicles being dumped on the used car market.

In respect of both new and used vehicles sales, the bank finance approval rate has remained low. In addition, the increasing trend of approved loans not being taken up by customers reflects a lack of confidence in the economic future.

Both the parts and workshop departments performed well, returning a collective 11% increase in operating profit.

The Proton/Saga range of imported passenger vehicles has struggled gamely. Inventory levels have been reduced to an acceptable level, and the units have been competitively priced to generate interest on the sales floors. Slowly the parts and service departments are starting to gain traction.

CAR HIRE

First Car Rental experienced its toughest trading period since Covid. The industry, as a whole, was over-fleeted and, rather than shift the excess to the used car market, was prepared to accept lower utilisation and average daily hire rates. Obviously, this disruptive approach by the larger operators had a knock-on effect across the board.

Continued high interest rates were offset, to a degree, by various opportunities to access parcels of vehicles at favourable prices, and thereby achieve a lower average value fleet cost. Thus, although the operation's daily hire rate fell 8%, it was countered by a 16% reduction in holding costs.

The inbound travel market, particularly from Europe, was down, reflecting the tough economic conditions abroad, the high cost and lower frequency of flights, and the draw of the summer Olympics.

FINANCIAL SERVICES

This segment achieved a 4% increase in profit. Insurance premium income was down marginally, but a lower claims experience enabled a 15% improvement from the underwriting cells.

In respect of the finance joint ventures, one returned great results, whilst the other was hampered by a worsened doubtful debt ratio. The net result was a 39% decrease.

FINANCIAL STATEMENTS

The Statement of Comprehensive Income records revenue down 1,3% and, as a result of the tighter new vehicle trading margins, gross profit down 2,8%. Expenses were contained at a 4,9% increase, including employee benefit increases of 3,4%. Net interest cost recorded a 5,1% hike. This was achieved by tight control over the Group's car hire fleet and working capital, and despite the higher prevailing interest rate and the cash dividend of R165 million paid in June 2024. The tax rate was marginally lower, at 24,2%, and the overall return was a 31,8% decline in earnings and headline earnings per share. The recommended dividend has been proportionately reduced.

With the exception of the value of non-current car hire fleet liabilities, no material changes from the prior reported periods are contained in the Statement of Financial Position. The lower fleet liability when compared to February, reflects the de-fleeting of older vehicles during the winter months of June-August. They will be replaced during October-November.

PROSPECTS

Predictions of a reasonable economic growth rate during the next six months are tinged by a number of dark clouds.

On the negative side, the continued high level of unemployment is of grave concern. The five months' relief from load-shedding has been replaced with exorbitant past and proposed hikes in the cost of electricity. Expected relief from further interest rate cuts will be more than offset by Eskom's attempt to recover the cost of its mismanagement.

Countering these are the country's peaceful transition to a GNU, the trend of fuel price cuts and the strengthened currency.

The Group expects a meaningful improvement in the period ahead. Current signs are that national new vehicle sales are edging up modestly on the back of consumer confidence and in anticipation of meaningful interest rate cuts. The Group has recently launched the Foton range of light commercial vehicles, and early indications are that its success in the market has met expectations. The brand is the market leader in China and, last month, one of the derivatives was named South African "Bakkie of the Year" in its category.

COMMENTARY CONTINUED

DIVIDEND DECLARATION

A dividend of 102 cents per share will be paid on Tuesday, 17 December 2024 to members reflected in the share register of the Company at the close of business on the record date, Friday, 13 December 2024. Last day to trade cum dividend is Tuesday, 10 December 2024. First day to trade ex dividend is Wednesday, 11 December 2024. Share certificates may not be dematerialised or rematerialised from Wednesday, 11 December 2024 to Friday, 13 December 2024, 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 R76 298 038 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 81,6 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 2024 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 2024 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 auditors, KPMG Inc.

The accounting policies applied in the preparation of the unaudited interim financial results are in terms of IFRS and are consistent with those applied in the annual financial statements for the year ended 29 February 2024 and the prior interim reporting period.

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 2024, of the results for the year ended 29 February 2024.

By order of the board of directors

PMM Govind CA(SA)

Company Secretary

17 October 2024

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*
MR Nkadimeng*
HP Spencer*

* *Independent non-executive*

TRANSFER SECRETARIES

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AUDITOR

KPMG Inc.

COMPANY SECRETARY

PMM Govind

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