Motus Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 2017/451730/06

ISIN: ZAE000261913

Share code: MTH

("Motus")

Short-form preliminary summarised consolidated results for the year ended 30 June 2020

Salient features

- Revenue R73 417 million (2019: R 79 711 million)
- Operating profit R2 136 million (2019: R 3 620 million)
- Earnings per share 165 cents per share (2019: 953 cents per share)
- Headline earnings per share 296 cents per share (2019: 1 009 cents per share)
- Free cash flow generated from operations R3 004 million (2019: R3 061 million)
- Net asset value per share 6 653 cents per share (June 2019: 6 185 cents per share)
- Net debt to equity ratio 60% (2019: 56%)
- Net debt to EBITDA (debt covenant) 2,2 times (needs to be less than 3 times)
- EBITDA to net interest (debt covenant) 3,6 times (needs to me more than 3 times)
- Retail market share in SA 20,2% (2019: 18,9%)
- Black employees in South Africa 73% (2019: 73%)
- Occupational Health and Safety compliance in South Africa 91% (2019: 88%)

Motus is South Africa's leading automotive group, employing over 17 500 people. We are a diversified (non-manufacturing) business in the automotive sector with unrivalled scale and scope in South Africa, a selected international presence primarily in the UK and Australia, as well as a limited presence in South East Asia and Southern and East Africa.

Motus traces its roots back to 1948, when its founding company Imperial Holdings Limited ("Imperial Holdings") started as a single motor dealership in downtown Johannesburg. Motus was listed on the Johannesburg Stock Exchange ("JSE") in November 2018, following its unbundling from Imperial Holdings.

Motus offers a differentiated value proposition to Original Equipment Manufacturers ("OEM"s), customers and business partners with a fully integrated business model across the automotive value chain through four key business segments namely: Import and Distribution, Retail and Rental, Financial Services and Aftermarket Parts.

Motus has long-standing importer and retail partnerships with leading OEMs, representing some of the world's most recognisable brands. We provide automotive manufacturers with a highly effective route-to-market and a vital link between the brand and the customer throughout the vehicle ownership cycle. In addition, we provide motor-related financial services and the sale of accessories and aftermarket parts for out-of-warranty vehicles.

Environment

The South African operations contributed revenue of 65% for this reporting period, with the remainder being contributed by the UK, Australia, Southern and East Africa and South East Asia.

The COVID-19 global pandemic and various lockdowns during the period have constrained world trade, disrupted global supply chains and manufacturing, devastated the tourism industry and severely impacted the global economy.

The weakening of the global economy is weighing heavily on emerging markets and South Africa is bearing the brunt of these global issues. The recession prior to the COVID-19 pandemic and the political and economic uncertainty have worsened the situation for South Africa, adversely impacting businesses and the people of South Africa.

The existing socio-economic challenges in South Africa have been exacerbated by the impact of the COVID-19 crisis, with depressed growth, large fiscal deficits, increasing debt, increasing unemployment levels, credit rating downgrades by major international credit rating agencies and high social vulnerabilities.

South African GDP is forecast to decrease by 11%[1] for 2020 and grow by 6% off a low base for 2021. The automotive industry will play an important role in the country's economic recovery, historically contributing more than 6,4% of South Africa's GDP[2] (including 2,4% from the retail segment) and accounting for more than 15,5% of total export value.

The South African new vehicle market continues to be affected by the weak macroeconomic environment, lack of disposable income and consumer confidence. Industry margins will continue to underperform as consumers continue to delay purchases, trade down with the shift to cheaper vehicle models and place pressure on the quality of pre-owned vehicle supply. According to NAAMSA, South Africa retailed 441 586 units for the 12 months to 30 June 2020 (18,6% down from the prior year). At June 2020, our retail market share was 20,2% (June 2019: 18,9%). New vehicle sales for the 2019 calendar year of 536 626 units compared to management projections for the calendar year 2020 of between 350 000 to 380 000 vehicles, with growth from this base projected at 420 000 to 440 000 vehicles in the calendar year 2021.

The UK new vehicle market has been negatively impacted by the COVID-19 crisis resulting in weak business and consumer confidence and economic instability which is further exacerbated by Brexit uncertainty. The market declined by 27% for the 12 months to June 2020. The passenger market was more negatively impacted than the commercial (trucking) market. Since Motus is a large DAF commercial vehicle distributor, we maintain an advantageous position in the UK market as DAF vehicles are manufactured in the UK, which has the leading commercial vehicle market share in the country.

The Australian automotive industry remains a highly competitive environment in a declining market reflecting the economic challenges, including tightening of lending, foreign exchange volatility, slow wage growth and the effects of extreme environmental disasters, including fires and floods. It has been further adversely impacted by the COVID-19 crisis and its dependence on the Chinese economy. The market declined by 14% for the 12 months to June 2020, with SUV vehicle models continuing to dominate the market.

The automotive industry remains highly competitive with technological advances and increasingly empowered consumers. As the connected consumer becomes more prevalent in the market, it is imperative to remain relevant to the needs of the digitised consumer and adapt business models accordingly. The consumer is looking for value for money and economical products and services, which the Group is well positioned to deliver through our integrated business model.

Financial performance

The Group was performing ahead of the prior year in terms of revenue and operating profit until March 2020. The effect of the national lockdown due to the COVID-19 crisis resulted in no trading in South Africa and limited trading in the UK and Australia in April and limited trading in May and June across all geographies, which resulted in lower revenues and operating profits year-on-year. The car rental business was severely impacted by the COVID-19 crisis due to restrictions on local and international travel.

[1] Latest Econometrix forecast (June 2020).
[2] National Association of Automobile Manufacturers of South Africa (NAAMSA) press release (June 2020).

The business is structured around large trading volumes and a significant portion of our cost base includes property and people related costs that take time to structurally reduce and rightsize. During the first month of lockdown, it was difficult to reduce the cost base significantly.

The Group's passenger and commercial vehicle businesses, including the UK and Australia, retailed 112 833 new units (2019: 131 725 new units) and 75 109 preowned units (2019: 83 554 pre-owned units) during the year. The reduced sales are attributable to the global crisis, which resulted in severe vehicle market contraction.

The South African annual unit vehicle sales declined by 18,6% to 30 June 2020 as reported by NAAMSA. The market continues to experience a decline in sales of premium vehicles, in favour of: new entry level vehicles and small SUVs and pre-owned vehicles, as consumers continue to trade down due to affordability.

Revenue decreased by 8% with all business segments impacted, except for the Financial Services business which was in line with prior year. The decrease is mainly due to lower vehicle unit volumes attributable to the global crisis, which resulted in severe vehicle market contraction across all geographies in which we operate as well as a reduction in parts and service revenue. This was partially offset by an increase in selling prices and the bolt-on acquisitions in the UK and Australia.

Operating expenses (excluding depreciation) decreased by 12%. The decline in operating expenses is due to cost containment and the rationalisation of our operational footprint and staff complement across our business segments.

Costs have been well contained over the last three years and a number of additional cost-cutting measures, including once-off restructuring costs, were implemented due to the COVID-19 crisis, which focused on reducing costs and preserving cash. Swift and purposeful actions were targeted to align the business to the changing economic environment.

Operating profit declined by 41% to R2 136 million (2019: R3 620 million). The operating margin of 2,9% is significantly lower than the prior year's of 4,5%.

The Import and Distribution segment reported an 8% decline in revenue with growth in operating profit of 2%, the Retail and Rental segment reported an 8% decline in revenue with an operating profit decline of 79%, the Financial Services segment reported stable revenue and operating profit and the Aftermarket Parts segment reported a decline in revenue and operating profit of 6% and 35% respectively.

A number of once-off costs were incurred during the year. These once-off costs included goodwill and intangible asset impairments amounting to R289 million, retrenchment and other closure related costs amounting to R171 million, a deferred tax asset write-down amounting to R107 million, property impairments net of reversals amounting to R101 million and other impairments amounting to R15 million. The once-off cost incurred in the prior year was as a result of the once-off impact of share-based payment expenses amounting to R160 million resulting from the unbundling of Motus from Imperial Holdings.

Net working capital balances increased primarily due to higher inventory levels carried at the dealerships due to reduced vehicles and parts sales, accelerated vehicle for hire de-fleets, currency adjustments and acquisitions.

Net debt to equity is 60% (June 2019: 56%), which is within Group target levels of 55% to 75%. Core debt increased by 21% mainly due to working capital requirements.

Net debt to EBITDA is 2,2 times (June 2019: 1,4 times) and EBITDA to net interest is 3,6 times (June 2019: 6,2 times). Both ratios have been calculated by applying the covenant methodology used by our debt providers and we remain well within the levels as set by debt providers of below 3,0 times and above 3,0 times respectively. However, the debt providers have provided a relaxation of covenants of below 4,5 times and above 2,5 times respectively for the June and December 2020 covenant measurement periods.

Return on invested capital declined to 6,4% (2019: 13,5%) mainly due to higher invested capital to fund working capital and vehicles for hire and reduced profitability. Weighted average cost of capital improved to 9,8% (2019: 10,7%) primarily due to the increase in debt.

Net asset value per share increased by 8% to 6 653 cents per share (2019: 6 185 cents per share).

We generated significant free cash flow of R3 004 million (2019 R3 061 million) from operating activities before vehicles for hire capital expenditure.

Liquidity

The liquidity position is strong with R7,6 billion unutilised banking facilities. A total of 80% of the Group debt is long-term in nature and 29% of the debt is at fixed interest rates. Excluding floorplans, which can be seen as part of the working capital cycle, 35% of the debt is at fixed interest rates.

Dividend

No final dividend has been declared (2019: full year dividend 490 cents per share).

Board changes

Mrs KA Cassel joined the board as an executive director with effect from 1 July 2019.

Ms P Langeni tendered her resignation as an independent non-executive director and will serve on the board until the annual general meeting on 10 November 2020.

Company Secretary change

Mrs JK Jefferies was appointed as Company Secretary with effect from 1 July 2019.

Strategy

We are well positioned to maintain our leading position in South Africa and grow in selected international markets. Our strategic focus remains on deepening our competitiveness and relevance across the automotive value chain, by driving organic growth through optimisation, innovation and with selective bolt-on acquisitions.

Our short-term focus is to ensure the resilience of Motus in the volatile and uncertain environment resulting predominantly from the impact of the COVID-19 crisis. Our long-term strategic priorities remain unchanged and are focused on ensuring we are the leading automotive group in South Africa, with a selected presence in the UK, Australia, South East Asia and Southern and East Africa.

Prospects

The economic crisis caused by the COVID-19 pandemic has had a profound impact on the financial and trading results for the year. Special measures taken during this extraordinary time have ensured that the balance sheet and cash flow of the Group remain solid. Our people have responded with integrity, agility and an unbreakable entrepreneurial spirit, in what is an extremely difficult trading environment.

The challenges created by the COVID-19 crisis have created a new economic reality. Our revised short-term focus is to anticipate the "new normal" that will exist after the devastating effects of the COVID-19 crisis and to scale our business activities accordingly and responsibly.

Despite a slow recovery in the economies in which we operate, through the swift and decisive actions taken by the management team, a sound balance sheet and strong cash flows, we anticipate much improved operating and financial results for the year ending June 2021 in the new environment in which we find ourselves, subject to stable currencies and no further total lockdowns.

As a result of strong trading cash inflows during and after the lockdown, we envisage that we will remain within the original bank covenant requirements.

The resumption of dividend payments will be reassessed during the 2021 financial year based on the trading results.

For the long-term, we are positive about the growth trajectory and that the integrated business model will provide a solid platform to continue to build a resilient and sustainable business. This will allow us to execute and deliver on the espoused strategies.

We would like to extend our appreciation and gratitude to Ms. Langeni for her commitment and service to the Group over the years.

We would like to thank each and every staff member, customers, suppliers, funders, shareholders, stakeholders and the board members for their support during these unprecedented and difficult times.

OS Arbee

Chief Executive Officer

OJ Janse van Rensburg

Chief Financial Officer

15 September 2020

The forecast and prospects information herein has not been reviewed or reported on by Motus' auditors.

Corporate information

Directors

GW Dempster (Chairman)*

A Tugendhaft (Deputy Chairman)**

OS Arbee (CEO)#

OJ Janse van Rensburg (CFO)#

KA Cassel#

P Langeni*

S Mayet*

KR Moloko*

MJN Njeke*

* Independent non-executive

** Non-executive

Executive

Company Secretary

JK Jefferies

Group Investor Relations Manager

J Oosthuizen

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Rosebank

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Auditors

Deloitte & Touche

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Waterfall City

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30 Baker Street

Rosebank

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Release date 16 September 2020

Full announcement and consolidated financial statements

The content of this announcement is the responsibility of the directors of Motus. It is only a summary of the information contained in the full SENS announcement. This announcement is itself not audited but extracted from audited results.

Any investment decisions by investors should be based on the consideration of the full announcement which is available at https://senspdf.jse.co.za/documents/2020/jse/isse/mthe/MTH_FY20.pdf and on Motus' website at https://www.motus.co.za/investors/results/year-end-results/.

The full announcement is also available for inspection at the registered office of Motus and the offices of the Sponsor, at no charge, weekdays during office hours 09:00 to 16:00.

The consolidated financial statements including the unmodified audit opinion which details key audit matters of the external auditor, Deloitte & Touche, is available at: https://www.motus.co.za/investors/integrated-reports/.