

Motus Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 2017/451730/06

ISIN: ZAE000261913

Share code: MTH

("Motus" or "the Company" or "the Group")

## **Short-form unaudited condensed interim results for the six months ended 31 December 2020**

### **Financial highlights**

- Revenue up 6%, R44 343 million (2019: R41 954 million)
- Operating profit down 6%, R1 724 million (2019: R1 831 million)
- Profit before tax up 4%, R1 287 million (2019: R1 243 million)
- Earnings per share up 6%, 507 cents per share (2019: 479 cents per share)
- Headline earnings per share up 2%, 526 cents per share (2019: 517 cents per share)
- Interim dividend per share 160 cents per share (2019: nil cents per share paid)
- Free cash flow generated from operations R4 759 million (2019: R1 121 million)
- Net debt to equity 24% (2019: 74%)
- Net debt to EBITDA (debt covenant) 1,0 times (Required: to be less than 3 times)
- EBITDA to net interest (debt covenant) 3,7 times (Required: to be greater than 3 times)
- Return on invested capital<sup>#</sup> increased to 12,8% (2019: 11,2%)
- Weighted average cost of capital<sup>#</sup> increased to 9,3% (2019: 8,4%)

<sup>#</sup>The return on invested capital and weighted average cost of capital have been calculated using an average of the six-month period.

Motus is South Africa's leading automotive group, employing over 16 000 people globally. 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 United Kingdom ("UK") and Australia, as well as a limited presence in South East Asia and Southern and East Africa.

Motus offers a differentiated value proposition to Original Equipment Manufacturers ("OEMs"), 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 64% to revenue and 83% to operating profit for the period (2019: 67% and 93% respectively), with the remainder being contributed by the UK, Australia and South East Asia.

The weakened global economy continues to weigh heavily on emerging markets. The battle between the COVID-19 crisis and the country's efforts to implement economic remedial initiatives continues. The recovery path is likely to prove uneven and varied across industries and countries, even with the vaccine programmes being rolled out gradually.

Despite the financial and economic damage created by the COVID-19 crisis, there are also a number of structural impediments to economic growth in South Africa, namely corruption, state capture, policy uncertainty, wasteful public expenditure, insufficient infrastructural investment and high unemployment. There is a welcoming drive for structural reform with a focus on bringing perpetrators of corruption and crime to be held accountable. The government also intends to restructure state-owned enterprises, with

equity partners providing additional finance that will assist in running these organisations more efficiently.

The South African 2021 GDP is forecasted to increase between 2,8% to 3,6%<sup>1</sup>, with inflation expected to revert close to 4,5%<sup>1</sup> by the middle of 2021.

The South African new vehicle market continues to be affected by the weak macro-economic environment, reduced disposable income and depressed consumer confidence. According to NAAMSA<sup>2</sup>, South Africa retailed 217 879 units for the six months to 31 December 2020 (22% down from the prior period). At December 2020, our retail market share was ~20,2% (December 2019:20,1%). New vehicle sales for the 2020 calendar year were 380 449 units, with growth from this base projected between 425 000 to 450 000 vehicles for the calendar year 2021. Margins will remain under pressure as consumers postpone purchases and trade down with the shift to cheaper and pre-owned vehicles.

The UK new vehicle market declined by 4,2%<sup>3</sup> for the six months to December 2020, with the passenger market decreasing by 6,2%<sup>3</sup> and heavy commercial vehicles decreasing by 6,7%<sup>3</sup>, offset by the light commercial vehicle market increasing by 7,9%<sup>3</sup>. Motus was well positioned and maintained their retail market share. The outlook for the economy remains uncertain as a result of the high COVID-19 infections, a weak economy, projected delayed job cuts and final impacts of Brexit. The trade deal between the UK and the European Union (EU) came into force on 1 January 2021. The new trade deal allows for tariff free trade on goods between the UK and EU, provided the goods are primarily of UK or EU origin.

The Australian automotive industry remains a highly competitive environment. The market declined by 4,5%<sup>4</sup> for the six months to December 2020, with SUV vehicle models continuing to dominate the market. The Australian new vehicle sales surged in the last two months of 2020 as the country came out of the lockdowns. The automotive industry is now struggling with inventory shortages as the OEM's reduced vehicle production during the various lockdowns.

The 2021 trading conditions are expected to remain challenging due to reduced demand compared with the pre-COVID-19 levels, coupled with exchange rate volatility and reduced disposable income as a result of high unemployment, fuel and electricity price increases in South Africa. However, low interest rates and low inflation will support vehicle buying.

Motus remains focused and committed to creating value for our customers and building market share through relevant, innovative products and exceptional service at competitive prices. We will continue to deliver returns to shareholders through operational alignment, collaboration across the supply chain, and the reduction of complexity, duplication and capital deployment, while mitigating currency risk.

Our operational focus has shifted to one of resilience, agility and recovery, and we have developed strategies to align, adapt and deliver on the adjusted business model. Our integrated business model has provided a solid platform to continue to build a resilient and sustainable business.

<sup>1</sup> Latest Econometrix forecast (January 2021) and the International Monetary Fund (IMF).

<sup>2</sup> National Association of Automobile Manufacturers of South Africa (NAAMSA).

<sup>3</sup> The Society of Motor Manufacturers and Traders.

<sup>4</sup> Federal Chamber of Automotive Industries – Australia.

## **Financial performance**

The results for the period reflect strong strategic and operational achievements, based on the resilient financial performance in a challenging and continuously evolving environment. We are encouraged by the solid performance our diversified offering provides, given the uncertainties in the markets in which we operate.

The Group's passenger and commercial vehicle businesses, including the UK and Australia, retailed 57 503 new units (2019: 68 779 new units), a 16% decline, and 48 318 pre-owned units (2019: 43 160 pre-owned units), a 12% increase, during the six-month period. The reduced sales are attributable to the global crisis, which resulted in severe vehicle market contraction.

Revenue improved by 6% mainly due to improved performance in the retail businesses, especially the pre-owned vehicle category in South Africa and both the new and pre-owned vehicle categories in the international operations, as well as improved performance from the Aftermarket Parts segment. Partly offset by the reduced revenue in the car rental business and lower workshop activity levels.

The reduced operating profit is as a result of margin pressure across certain business segments. Operating profit decreased mainly due to reduced car rental income in the Retail and Rental and Financial Services segments, and lower margins resulting from the shift to pre-owned and entry level vehicles, and more affordable parts in the Aftermarket Parts business. This was partially offset by the decrease in net operating expenses of 4% (excluding cost of sales, depreciation and amortisation). The decline in net operating expenses is mainly as a result of the COVID-19 cost containment initiatives initiated in the latter part of the 2020 financial year.

Net finance costs decreased by 33%. The decrease is mainly as a result of the decline in core debt and floor plan debt as we aggressively reduced the car rental fleet and inventory. There was a gain on the fair value of the interest rate swaps and this was partially offset by the increase in the finance costs on lease liabilities.

Profit before tax increased by 4% to R1 287 million.

An interim dividend of 160 cents (2019: nil cents paid) per ordinary share has been declared, which amounts to ~30% of headline earnings per share.

Net working capital is a cash inflow of R3 014 million primarily due to lower inventory as a result of improved sales, the sale of excess inventory and lower inventory returns from car rental companies.

Net debt to equity is 24% (2019:74%). Core debt (excluding floorplan and IFRS 16 debt) reduced by R3,7 billion primarily due to the lower levels of working capital and vehicles for hire.

Net debt to EBITDA is 1,0 times (2019: 1,8 times) and EBITDA to net interest is 3,7 times (2019: 5,8 times). Both ratios have been calculated by applying the funders covenant methodology and we remain well within the levels as set by debt providers of below 3,0 times and above 3,0 times respectively. The funders had provided a relaxation of covenants of below 4,5 times and above 2,5 times respectively during the period, however this covenant relaxation was not required.

Return on invested capital increased to 12,8% (2019: 11,2%) mainly due to lower levels of working capital and vehicles for hire. Weighted average cost of capital increased to 9,3% (2019: 8,4%) primarily due to the decrease in debt and a higher weighting of equity which carries a higher cost of capital.

Net asset value per share increased by 4% to 6 526 cents per share (2019: 6 258 cents per share).

We generated significant free cash flow of R4 759 million (2019: R1 121 million) from operating activities before capital expenditure for vehicles for hire. The free cash flow was primarily generated by solid operating profits, coupled with reduced working capital.

## **Liquidity**

The liquidity position is strong and we have R14,9 billion unutilised banking facilities. A total of 54% of the Group debt is long-term in nature and 52% of the debt is at fixed interest rates. Excluding floorplan debt, which can be seen as part of the working capital cycle, 61% of the debt is at fixed interest rates.

## **Dividend**

An interim dividend of 160 cents per ordinary share has been declared.

## **Subsequent events**

### **SWT Group Proprietary Limited (Australia)**

Motus acquired an additional 10% shareholding from the minority shareholder, during January 2021, increasing the Motus effective ownership to 90%. The purchase price was R38 million.

### **Renault SA**

Motus is in the final stages of concluding the buy-out of the remaining 40% minority interest shareholding in Renault South Africa (Pty) Ltd. The Competition Commission approval is still outstanding. The purchase consideration is R250 million.

The buy-out will enhance operational and business decisions to unlock value within the Motus business model.

### **Board changes**

Mr MJN Njeke was appointed as a member of the Remuneration Committee and the Nominations Committee with effect from 15 September 2020.

Ms P Langeni tendered her resignation as an independent non-executive director and served on the board until 10 November 2020.

Mr PJS Crouse and Ms B Radebe joined the board as independent non-executive directors with effect from 10 November 2020. Mr PJS Crouse was appointed as a member of the Asset and Liability Committee and Ms B Radebe was appointed as a member of the Audit and Risk Committee.

### **Company Secretary change**

Ms JK Jefferies tendered her resignation as Company Secretary effective 28 February 2021.

Mr N Simelane was appointed as Company Secretary with effect from 1 April 2021.

### **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 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**

In the last six months, we have scaled our business activities to adapt to the new economic circumstances in a sustainable and responsible manner and have planned and prepared well for the implementation of new legislation effective in the short term. The integrated and diverse business model, supported by an agile and entrepreneurial management team, will continue to buffer us against the impact of the declining trading conditions and assist in delivering on the espoused strategies.

HY2 2021 trading has commenced positively. We also have sufficient cash available and a strong balance sheet to invest in strategic growth initiatives and consider share buy-backs.

We remain committed to delivering stable operating and financial results for the year to June 2021 provided there are no further stringent lockdowns and significant vehicle inventory shortages from the local OEM's are limited to two or three months.

Due to the strong cash position, an interim dividend has been declared and a final dividend will be reviewed at year end.

For the long-term we are confident that the integrated business model and balance sheet will provide a strong platform to build and grow a sustainable business into the future.

Our heartfelt condolences to the families and friends of our 20 employees who have sadly lost their lives (19 due to COVID-19).

We would like to extend our appreciation to Ms Janine Jefferies for her commitment and service to the Group as Company Secretary and legal counsel.

We would like to thank all staff members, customers, suppliers, funders, shareholders and the board members for their support during these challenging times.

OS Arbee  
Chief Executive Officer

OJ Janse van Rensburg  
Chief Financial Officer

22 February 2021

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

### **Declaration of interim ordinary dividends**

for the six months ended December 2020

Notice is hereby given that a gross interim ordinary dividend in the amount of 160.00 cents per ordinary share has been declared by the board of Motus, payable to the holders of the 191 202 392 ordinary shares. The dividend will be paid out of reserves.

The ordinary dividend will be subject to a local dividend tax rate of 20%. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 128.00 cents per ordinary share.

The company has determined the following salient dates for the payment of the ordinary dividend:

	<b>2021</b>
Last day for ordinary shares to trade cum ordinary dividend	Tuesday, 23 March
Ordinary shares commence trading ex-ordinary dividend	Wednesday, 24 March
Record date	Friday, 26 March
Payment date	Monday, 29 March

The company's income tax number is 983 671 2167.

Share certificates may not be dematerialised/rematerialised between Wednesday, 24 March 2021 and Friday, 26 March 2021, both days inclusive.

On Monday, 29 March 2021, amounts due in respect of the ordinary dividend will be electronically transferred to the bank accounts of certificated shareholders. Shareholders who have dematerialised their shares will also have their accounts, held at their Central Securities Depository Participant (CSDP) or broker, credited on Monday, 29 March 2021.

On behalf of the board

JK Jefferies

Company Secretary

22 February 2021

## **Corporate information**

### **Directors**

GW Dempster (Chairman)\*

A Tugendhaft (Deputy Chairman) \*\*

OS Arbee (CEO) #

OJ Janse van Rensburg (CFO) #

KA Cassel#

PJS Crouse\*

S Mayet\*

KR Moloko\*

MJN Njeke\*

B Radebe\*

\* Independent non-executive

\*\* Non-executive

# Executive

### **Company Secretary**

JK Jefferies

### **Group Investor Relations Manager**

J Oosthuizen

### **Business address and registered office**

1 Van Buuren Road

Corner Geldenhuis and Van Dort Streets

Bedfordview, 2008

(PO Box 1719, Edenvale, 1610)

### **Share transfer secretaries**

Computershare Investor Services Proprietary Limited

1st Floor Rosebank Towers

15 Biermann Avenue

Rosebank

Johannesburg

2196

### **Auditors**

Deloitte & Touche

5 Magwa Crescent

Waterfall City

Waterfall

Midrand

2066

### **Sponsor**

Merchantec Capital

13th Floor, Illovo Point

68 Melville Road

Illovo, Sandton

(PO Box 41480, Craighall, 2024)

**Release date 23 February 2021**

### **Full announcement and consolidated financial statements**

This announcement is itself not audited and the forecast and interim financial information herein has not been reviewed or reported on by Motus' auditors.

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 and does not contain full or completed details.

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/2021/jse/isse/mthe/interims21.pdf> and on Motus' website at <https://www.motus.co.za/investors/results/interim-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.