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 2022 and Cash Dividend Declaration

Financial highlights

- Revenue up 14%, R51 215 million (2021: R44 823 million)
- EBITDA up 25%, R3 706 million (2021: R2 959 million)
- Operating profit[1] up 22%, R2 617 million (2021: R2 148 million)
- Profit before tax up 7%, R2 014 million (2021: R1 879 million)
- Attributable profit up 9%, R1 520 million (2021: R1 390 million)
- Earnings per share up 17%, 916 cents per share (2021: 785 cents per share)
- Headline earnings per share up 13%, 902 cents per share (2021: 795 cents per share)
- Net asset value up 12%, 8 716 cents per share (2021: 7 776 cents per share)
- Interim dividend per share up 9%, 300 cents per share (2021: 275 cents per share)
- Free cash flow generated from operations R425 million (2021: R2 900 million)
- Net debt to equity 75% (2021: 30%)
- Return on invested capital[2] increased to 17,4% (2021: 15,9%)
- Weighted average cost of capital[2] increased to 11,0% (2021: 10,4%)
- Net debt to EBITDA[3] (debt covenant) 1,6 times (Required: to be less than 3 times) (2021: 0,9 times)
- EBITDA to net interest[3] (debt covenant) 12,3 times (Required: to be greater than 3 times) (2021: 16,5 times)

[1] Operating profit before capital items and net foreign exchange losses.
[2] The return on invested capital and weighted average cost of capital is prepared on a 12-month rolling basis.
[3] Calculated by applying the funders' covenant methodology.

Business overview

Motus is South Africa's leading automotive group, employing over 19 250 people globally, and is a multi-national provider of automotive mobility solutions, and vehicle products and services. 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 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, Mobility Solutions 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 the sale of accessories and aftermarket automotive parts for out-of-warranty vehicles and the Mobility Solutions business sells value-added products and services to customers.

Environment

The strength of the Group lies in it's integrated business model, diversification and scale. This allows us to be resilient and agile to navigate cyclical challenges, and to capitalise on opportunities as they arise.

The Group's networks in the economic hubs of South Africa and selected international presence, provides Motus with opportunities to replicate aspects of our integrated business model in the selected international markets we operate in.

South Africa

Structural constraints are holding back progress in the South African economy, impacted by intensified load-shedding, corruption, poor educational and skills development, insufficient infrastructural investment, exacerbated by high inflation, rising unemployment levels and increasing interest rates. During 2022, the South African economy is projected to have grown by 2,6%[1], with real GDP growth of around 1,2%[1] forecast for 2023.

South African vehicle sales continue to recover due to improved availability of vehicles, consumer resilience and continued willingness of consumers and businesses to invest. According to naamsa[2], South Africa retailed 275 521 vehicles for the six months to 31 December 2022 (16,3% ahead of the prior period of 236 982 vehicles). At December 2022, our retail market share was ~20,5%. The forecast for vehicle sales for the 12 months to 30 June 2023 is between 530 000 to 550 000 vehicles.

Despite the ongoing external challenges, our Importer brands have deepened their maturity in the South African market over the last two decades and are benefitting from the ongoing structural shift away from luxury brands in the South African vehicle market. Customers are increasingly considering our Importer brands as an attractive alternative that offers an increasingly strong value proposition as more premium vehicle models are introduced to the market. The Importer OEMs allow us to introduce new vehicle models that appeal to the local consumer from a styling, versatility and affordability perspective.

The car rental industry was heavily impacted by the COVID crisis. Recovery has been slow to return to pre-COVID levels, but momentum has improved.

United Kingdom (UK)

The UK economic position has deteriorated further as increasing energy and food costs, higher interest rates, higher personal taxes and accelerating inflation are constraining consumer spending. The market was further constrained by erratic vehicle supplies being experienced by certain OEMs. In 2022, GDP growth is projected to be 4,0%[3] and it is forecast to decline by 0,5%[3] in 2023.

The UK new vehicle market grew by 5,6% for the six-month period to 31 December 2022, with the passenger market increasing by 10,1%[4], the LCVs market declining by 16,1%[4] and the heavy commercial vehicles market increasing by 21,2%. New vehicle sales for the six-month period to 31 December 2022 amounted to 973 250 vehicles, compared to 921 608 vehicles in the comparative period. Motus was well-positioned and maintained its retail market share.

Australia

The Australian economy is growing solidly, but has been negatively impacted by high energy prices, increasing interest rates and extreme weather events. GDP growth is projected to be 3,0%[5] for 2022, but forecast to slow to 2,0%[5] in 2023.

The Australian automotive industry remains a highly competitive environment. The market grew by 12,7%[6] for the six-month period to 31 December 2022, with Motus maintaining its retail market share. New vehicle sales for the six-month period to 31 December 2022 amounted to 543 571 vehicles[6], compared to 482 363 vehicles[6] in the comparative period.

Despite shortages of certain derivatives and vehicle models experienced in the past 18-month period, our long-standing relationships with OEMs and vast brand portfolio and model range, allowed us to offer customers a wide selection of alternative vehicles. We believe that vehicle volumes will continue to grow as global supply chains stabilise, with increased production satisfying pent-up demand and inventory levels starting to normalise.

Consumer and business sentiment will remain under pressure over the short to medium term. Supply chain constraints, albeit easing, increasing global interest rates and inflation will impact the cost of vehicles and parts in the short-term. The Group is actively managing costs and monitoring working capital, vehicles for hire and debt levels closely.

The automotive industry remains highly competitive with technological advances and increasingly empowered consumers making it imperative that we adapt our operating models to remain relevant to the needs of the digitised consumer. We continue to drive organic growth, innovation and acquisitions, supplemented by ongoing operational enhancements and innovation, to create value for all stakeholders.

[1] *International Monetary Fund | World Economic Outlook, update January 2023.*
[2] *naamsa | The Automotive Business Council.*
[3] *The Office for Budget Responsibility | Economic and fiscal outlook – February 2023.*
[4] *The Society of Motor Manufacturers and Traders.*
[5] *Australian Reserve Bank | Statement on Monetary Policy – November 2022.*
[6] *Federal Chamber of Automotive Industries (fcai.com.au).*

Performance

The results for the six months ended 31 December 2022 reflect strong strategic and operational achievements despite the challenging economic trading conditions experienced in all the geographies in which we operate.

The strong offerings of our businesses, which cover the full automotive value chain in South Africa, and our integrated approach across the vehicle ownership cycle, provide us with opportunities to serve our customers' mobility needs, diversify our revenue and profit streams and enable us to cross-sell and leverage opportunities. This makes the Group cash generative, and in turn allows us to invest in growth opportunities.

During the six-month period we completed two complementary acquisitions. On 3 October 2022, we completed the acquisition of Motor Parts Direct (Holdings) Limited (MPD), a business-to-business parts distributor based in the UK. The acquisition is aligned to Motus' international growth strategy for the Aftermarket Parts segment. The acquisition will strengthen our integrated business model, reduce our dependency on vehicle sales and is cash generative. On 1 November 2022, we completed the acquisition of three Mercedes Benz passenger dealerships and one commercial vehicle dealership in the northern suburbs of Gauteng (MB retail dealerships). The acquisition will further enhance Motus' South African portfolio. The acquisitions were funded using OEM floorplan and available cash and banking facilities, amounting to a combined purchase consideration of R4,4 billion.

The South African operations contributed 65% to revenue and 78% to operating profit for the period (2021: 66% and 82%, respectively), with the remainder being contributed by the UK, Australia and South East Asia.

The Group's passenger and commercial vehicle businesses, including the UK and Australia, retailed 66 147 new units (2021: 66 705), and 43 422 pre-owned units (2021: 47 533) during the period.

Revenue increased by 14%, with a positive contribution from all segments. The Aftermarket Parts segment increased by 36%, Mobility Solutions segment increased by 13%, Retail and Rental segment increased by 12% and Import and Distribution segment increased by 11%.

The revenue increase was as a result of increased contributions from parts sales of 23%, rendering of services of 15%, new vehicle sales of 14% and pre-owned vehicle sales of 8%.

Operating profit increased by R469 million (22%), with all business segments improving operating profit contribution. The Retail and Rental division generated an increase of R272 million (30%), Aftermarket

Parts generated an increase of R105 million (35%), Import and Distribution generated an increase of R72 million (12%) and Mobility Solutions generated an increase of R67 million (13%) for the six months.

The increased operating profit is mainly as a result of the continued recovery of the automotive and car rental sectors, increased profits from value-added products and services (VAPS) in Mobility Solutions, and acquisitions (FAI Automotive plc (FAI) included for six months compared to three months in the previous period and MPD included for three months). Partly reduced by inflationary expenses. We are experiencing inflationary pressure across all the geographies in which we operate.

Net finance costs increased by greater than 100% mainly due to the financing of the MPD and MB retail dealerships acquisitions, higher average working capital and vehicles for hire levels, increased IFRS 16 – *Leases* finance costs and increased interest rates across all the geographies we operate in.

Net foreign exchange losses of R148 million (2021: R16 million) is mainly as a result of the mark-to-market revaluation of the FEC contract relating to the MPD acquisition in the UK where hedge effectiveness is not achievable, translation differences arising from foreign currency denominated balances such as trade receivables, trade payables, Customer Foreign Currency (CFC) accounts and interest-bearing debt and changes in the fair value of derivative instruments that are not formally designated in a hedge relationship.

Profit before tax increased by 7% to R2 014 million.

An interim dividend of 300 cents per share has been declared (2021: 275 cents per share).

Movements in net working capital is an outflow of R2,1 billion after adjusting for non-cash movements relating primarily to the MPD and MB retail dealerships acquisitions. The increased cash investment in working capital is as a result of improved trading activity which increased inventory and receivables, offset by higher payables and floorplans.

Net debt to equity is 75% (2021: 30%). Core debt increased by R6,0 billion primarily due to the funding of the MPD and the MB retail dealerships acquisitions, higher working capital and vehicles for hire levels, and the final dividend paid in September 2022. The increase was partly offset by profitability for the six months.

Net debt to EBITDA is 1,6 times (2021: 0,9 times) and EBITDA to net interest is 12,3 times (2021: 16,5 times), which is well within the targeted debt levels set by management. Both ratios have been calculated by applying the funders' covenant methodology and we remain well within the bank covenant levels as set by debt funders of below 3,0 times and above 3,0 times, respectively.

Return on invested capital increased to 17,4% (2021: 15,9%) due to higher operating profit after tax. Weighted average cost of capital increased to 11,0% (2021: 10,4%) primarily due to the increase in global interest rates and risk-free rates.

Net asset value per share increased by 12% to 8 716 cents per share (2021: 7 776 cents per share).

We generated free cash flow of R425 million (2021: R2 900 million) from operating activities before capital expenditure for vehicles for hire. The free cash flow was primarily generated by operating profits, offset by increased working capital, finance costs, taxation paid and lower dividend income.

Liquidity

The liquidity position is strong, and the Group has R8,0 billion in unutilised banking and floorplan facilities. A total of 73% of the Group funding is long-term in nature. Excluding floorplan funding, 9% of the funding is at fixed interest rates.

Dividend

An interim dividend of 300 cents per ordinary share has been declared and will be paid on 20 March 2023.

Strategy

The long-term strategic priorities of the Group remain unchanged and are focused on ensuring that we are the leading automotive group in South Africa, with a select international presence in the UK and Australia and a limited presence in South East Asia, and Southern and East Africa.

We remain focused on deepening our competitiveness and relevance across the automotive value chain, driving organic growth through optimisation and innovation, and leveraging existing capabilities and networks.

Further selective expansion will focus on enhancing existing brands and businesses through bolt-on complementary acquisitions both locally and internationally, while exploring strategic acquisitions that expand our offering in the Aftermarket Parts business or enhance the supply chain and the technology capabilities of the Group.

In executing our business strategy as a responsible corporate citizen, the business is led in a manner that is environmentally conscious to ensure its sustainability, and adopts policies and practices that enhance the growth of the economies in which it operates. We encourage a high-performance culture with tailored training and development opportunities for all levels of employees and promote diversity, equity and inclusion in the workplace.

We have embarked on a number of initiatives to ensure that engaging with Motus is more convenient and faster to do across various customer touchpoints. We are streamlining processes, reducing operational requirements and leveraging automation, data accuracy and customer self-serve capabilities. This will allow us to offer a differentiated service in a competitive market.

Our strategic initiatives underpin the delivery of our aspirations and support our ambition to achieve mobility for good while enhancing shareholder value.

Prospects

We expect to deliver operating profit growth for the 12 months to 30 June 2023 driven by organic and acquisitive initiatives. We will continue to experience elevated finance costs, until 30 June 2023, as a result of acquisitions concluded in the first six months of the year, normalised working capital and vehicles for hire levels, and higher interest rate increases compared to the prior year. We will maintain a solid financial position for the 12 months to 30 June 2023. Strong cash flow generation from operations will reduce debt from the current levels.

We have sufficient cash available and a strong financial position to support the investment in strategic initiatives and continue to pay dividends.

Appreciation

We would like to thank all employees, customers, suppliers, funders, stakeholders and the Board for their support during these difficult times.

OS Arbee: Chief Executive Officer

OJ Janse van Rensburg: Chief Financial Officer

20 February 2023

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

Declaration of interim ordinary dividend

for the six months ended 31 December 2022

Notice is hereby given that a gross interim ordinary dividend in the amount of 300 cents per ordinary share has been declared by the Board, payable to the holders of the 178 133 390 ordinary shares. The dividend will be paid out of income 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 240 cents per ordinary share.

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

	2023
Last day for ordinary shares to trade cum ordinary dividend	Tuesday, 14 March
Ordinary shares commence trading ex-ordinary dividend	Wednesday, 15 March
Record date	Friday, 17 March
Payment date	Monday, 20 March

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

Share certificates may not be dematerialised/rematerialised between Wednesday, 15 March 2023 and Friday, 17 March 2023, both days inclusive.

On Monday, 20 March 2023, amounts due in respect of the ordinary dividend will be electronically transferred to the bank accounts of certified 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, 20 March 2023.

On behalf of the Board

NE Simelane

Company Secretary

20 February 2023

Corporate information

Directors

GW Dempster (Chairman)*

A Tugendhaft (Deputy Chairman)**

OS Arbee (CEO)#

OJ Janse van Rensburg (CFO)#

KA Cassel#

PJS Crouse*

NB Duker*

S Mayet*

MJN Njeke*

F Roji-Maplanka*

* Independent non-executive

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Executive

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Release date 21 February 2023

Full announcement

This announcement is 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 was released on SENS and is available at https://senspdf.jse.co.za/documents/2023/jse/isse/mthe/interims23.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.