

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 summarised consolidated results for the year ended 30 June 2023 and cash dividend declaration**

### **Financial highlights**

- Revenue up 16%, R106 321 million (2022: R91 978 million)
- EBITDA<sup>1</sup> up 19%, R8 083 million (2022: R6 785 million)
- Operating profit<sup>2</sup> up 14%, R5 723 million (2022: R5 029 million)
- Profit before tax down 3%, R4 357 million (2022: R4 473 million)
- Attributable profit up 2%, R3 354 million (2022: R3 290 million)
- Net asset value up 25%, 10 189 cents per share (2022: 8 143 cents per share)
- Earnings per share up 6%, 2 008 cents per share (2022: 1 902 cents per share)
- Headline earnings per share up 1%, 2 046 cents per share (2022: 2 025 cents per share)
- Total dividend per share of 710 cents per share (paid interim dividend of 300 cents per share) (2022: 710 cents per share paid)
- Diluted earnings per share up 7%, 1 928 cents per share (2022: 1 808 cents per share)
- Diluted headline earnings per share up 2%, 1 963 cents per share (2022: 1 925 cents per share)
- Cash generated by operations before changes in net working capital R7 837 million (2022: R6 909 million)
- Free cash flow generated from operations R90 million (2022: R4 835 million)
- Return on invested capital<sup>3</sup> decreased to 14,1% (2022: 17,8%)
- Weighted average cost of capital<sup>3</sup> decreased to 10,7% (2022: 10,9%)
- Net debt to equity 77% (2022: 36%)
- Net debt to EBITDA<sup>4</sup> (debt covenant) 1,8 times (Required: to be less than 3 times) (2022: 0,8 times)
- EBITDA to net interest<sup>4</sup> (debt covenant) 6,4 times (Required: to be greater than 3 times) (2022: 17,9 times)

<sup>1</sup> Earnings before interest, taxation, depreciation and amortisation.

<sup>2</sup> Operating profit before capital items and net foreign exchange gains.

<sup>3</sup> The return on invested capital and weighted average cost of capital is prepared on a 12-month rolling basis.

<sup>4</sup> Calculated by applying the funders' covenant methodology.

### **Business overview**

Motus is a multi-national provider of automotive mobility solutions and vehicle products and services, with a leading market presence in South Africa (SA) as well as a selected international offering in the United Kingdom (UK), Australia, South East Asia and Southern and East Africa.

Motus employs over 19 800 people globally and has a track record for steady growth and dependable value creation that spans over 75 years. Motus is a diversified (non-manufacturing) business in the automotive sector and is South Africa's leading automotive group, with unrivalled scale and scope across

the automotive value chain. Our international focus is selective and aimed at enhancing our offering and contribution to Group performance.

Motus offers a differentiated value proposition to Original Equipment Manufacturers (OEMs), customers and business partners with a business model that integrates our four business segments, Import and Distribution, Retail and Rental, Mobility Solutions and Aftermarket Parts to meet customers' mobility needs across the vehicle's lifecycle.

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 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 global economy continues to experience a slowdown in economic growth due to a combination of factors. These factors include the economic consequences of high inflation, rising interest rates, increasing fuel and energy costs, the implementation of more stringent monetary policies in major markets, and the decrease in both consumer and business confidence.

Although vehicle and parts supplies, and shipping costs, have largely normalised, to pre-pandemic levels, inflation remains high and continued interest rate increases are constraining global economies. Globally, consumer purchasing power has eroded, leading to a cost-of-living crisis across the world.

The outlook remains uncertain, with consumer and business sentiment expected to remain under pressure over the short-to-medium term. Inflation is expected to gradually slow as monetary policy tightening takes effect. Global growth is projected at 3,0% in both 2023 and 2024, down from 3,5% in 2022.<sup>1</sup>

## South Africa

The automotive industry plays an indispensable role in contributing to SA's longer-term economic sustainability. It provides mobility, facilitates trade, creates sustainable jobs, moves people, goods and services, serves communities and creates prosperity for SA's people.

During 2022, the South African economy grew by 1,9% and is expected to slow to 0,3% for 2023.<sup>1</sup> Challenges confronting the economy, and the automotive industry, include rising interest rates, high inflation, a weaker currency as well as ongoing power supply outages, supply chain disruptions and inadequate infrastructure. Together, these are escalating the cost of doing business in SA and increasing consumer fragility which impacts the buying power negatively. Affordability appears to be driving consumer spending, which is reflected in new vehicle sales as consumers move away from luxury vehicles to more affordable vehicles.

According to naamsa<sup>2</sup>, the South African new vehicle market performance has been encouraging with strong growth across the automotive market, despite the challenges confronting the economy and automotive industry. New vehicle sales have been exceeding expectations even with ongoing increases in the total cost of ownership. New vehicles retailed increased by 10,4% for the 12 months to 30 June 2023, to ~541 000 vehicles. Motus achieved ~19,8% retail market share for the 12 month-period. Management's forecast for vehicle sales for the 12 months to 31 December 2023 is between 520 000 to 540 000 vehicles.

The vehicle rental industry which was heavily impacted by the COVID crisis continues to recover, aided by increased local and international travel.

Parts and workshop activity is increasing as a result of the extension of vehicle replacement cycles.

## United Kingdom

The UK economic position has continued to deteriorate as consumer spending is constrained by increasing living costs, higher interest rates, higher personal taxes and accelerating inflation. In 2022, GDP grew by 4,1%<sup>1</sup> and it is predicted to grow by only 0,4%<sup>1</sup> in 2023. Efforts to contain inflation have had some impact as inflation declined from 9,4% in June 2022 to 7,9%<sup>3</sup> in June 2023. Government efforts to provide support for energy costs are expected to reduce in the near-term, although the market continues to face labour shortages, including the automotive industry.

The UK new vehicle market has shown resilience and has grown by 12,1% for the 12 months to 30 June 2023, with the passenger market growing by 14,4%<sup>4</sup>, the LCVs market declining by 0,5%<sup>4</sup> and the heavy commercial vehicles (HCV) market growing by 19,1%. Annual new vehicle sales amounted to 2 118 056 for the 12 months to 30 June 2023, compared to 1 890 063 vehicles in the comparative period. Motus remains well positioned and maintained its retail market share, as ~70% of the dealerships are in the van and commercial business.

Parts and workshop activity is increasing as a result of the extension of passenger vehicle replacement cycles and supported by the steady flow of HCVs that are required to undergo their routine roadworthiness inspections.

## Australia

Growth has been subdued as the economy has slowed, driven by higher interest rates and cost-of-living pressures. Conditions in the labour market have moderated. Inflation reached 6,0%<sup>5</sup> in June 2023 and is expected to decline further albeit at a slower than expected pace. GDP growth was 2,7%<sup>5</sup> for 2022 and is expected to be slowing to 1,25%<sup>5</sup> in 2023 as consumer spending is expected to remain constrained by higher inflation and higher interest rates weighing heavily on disposable income.

The Australian automotive industry remains a highly competitive environment. The market grew by 10,3%<sup>6</sup> for the 12 months to 30 June 2023, with Motus maintaining its retail market share. The market was constrained by contamination screenings creating a backlog clearing vehicles at the ports. Annual new vehicle sales amounted to 1 125 330<sup>6</sup> for the 12 months to 30 June 2023, compared to 1 020 221<sup>6</sup> vehicles in the comparative period.

*1 International Monetary Fund | World Economic Outlook July 2023 update.*

*2 naamsa | The Automotive Business Council | Press releases.*

*3 Bank of England | Monetary Policy Report – August 2023.*

*4 The Society of Motor Manufacturers and Traders | Press release.*

*5 Reserve Bank of Australia | Statement on Monetary Policy, May 2023.*

*6 Federal Chamber of Automotive Industries (fcai.com.au).*

## **Performance**

The results for the year ended 30 June 2023 demonstrate sustained strategic progress with a strong trading performance, despite headwinds in all the geographies we operate in. The strong operating results under these challenging conditions once again confirm the robustness of our business strategy.

Our competitive advantages of scale, integration, differentiation and the entrepreneurial leadership that is the Group's hallmark, saw us recover quickly from the impacts of the pandemic. Moreover, we positioned Motus for sustainable profitable growth and manage cyclicity in the tough market we find ourselves in, by balancing income from vehicle sales with growing contributions from non-vehicle sales in line with our internationalisation and diversification priorities.

During the year 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. MPD exceeded our expectations and contributed a meaningful 8% towards Group EBITDA for the year. On 1 November 2022, we completed the acquisition of three Mercedes Benz passenger dealerships and one commercial vehicle dealership in Gauteng (MB retail dealerships). The acquisition has enhanced Motus' South African portfolio. The acquisitions were funded using OEM floorplans and available cash and banking facilities, amounting to a combined purchase consideration of R4,4 billion.

The South African operations contributed 61% to revenue and 73% to EBITDA for the year (2022: 66% and 79%, 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 126 826 new units (2022: 135 564), and 85 752 pre-owned units (2022: 89 753) during the year.

Revenue increased by 16% with a positive contribution from all segments. The Aftermarket Parts segment increased by 52%, Retail and Rental segment increased by 14%, Mobility Solutions segment increased by 9%, and Import and Distribution segment increased by 3%.

The revenue increase was as a result of increased contributions from new vehicle sales of R5,7 billion (13%), parts sales of R5,4 billion (31%), pre-owned vehicle sales of R2,0 billion (9%) and rendering of services of R1,3 billion (13%).

Operating profit increased by R694 million (14%) with the following business segments improving year-on-year contribution: Aftermarket Parts R399 million (62%), Retail and Rental R344 million (16%), and Mobility Solutions R137 million (14%). This was offset by the reduced contribution from the Import and Distribution segment of R92 million (6%).

The increased operating profit is mainly as a result of the continued recovery of the automotive and vehicle rental sectors, the increased contribution from FAI Automotive plc (FAI) (included for the full 12 months) and MPD (included for nine months), supported by higher profitability from value-added products and services (VAPS) in Mobility Solutions and increased contributions from international businesses.

Net foreign currency exchange gains of R20 million (2022: R135 million) is mainly due to the 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.

Net finance costs increased to R1 352 million mainly due to higher average working capital and vehicles for hire levels, the financing of acquisitions, increased IFRS 16 – *Leases* finance costs and increased interest rates across all the geographies we operate in.

Profit before tax decreased by 3% to R4 357 million.

A full year dividend of 710 cents per share has been declared (2022: 710 cents per share).

Movements in net working capital is an outflow of R5,8 billion after adjusting for non-cash movements relating primarily to the recent acquisitions, foreign exchange adjustments and translations. The increased cash investment in working capital is as a result of improved trading activity and the normalisation of the supply chain resulting in increased inventory and trade receivables, offset by higher payables and floorplans.

Net debt to equity is 77% (2022: 36%). Core debt increased by R7,9 billion primarily due to the higher working capital levels, higher vehicles for hire levels, partial debt funding of the acquisitions and capital expenditure on fixed assets. The increase was partly offset by improved profitability for the year.

Net debt to EBITDA is 1,8 times (2022: 0,8 times) and EBITDA to net interest is 6,4 times (2022: 17,9 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 decreased to 14,1% (2022: 17,8%) mainly due to increased invested capital (net debt and total equity). Weighted average cost of capital decreased to 10,7% (2022: 10,9%) mainly due to increased debt levels which carries a lower cost than equity, offset by the increase in interest rates and risk-free rates.

Net asset value per share increased by 25% to 10 189 cents per share (2022: 8 143 cents per share).

Cash generated by operations before changes in net working capital amounted to R7,8 billion (2022: R6,9 billion) and free cash flow generated from operations amounted to R90 million (2022: R4 835 million). The free cash flow was primarily generated by healthy operating profits, and was utilised mainly through the increased investment in net working capital, finance costs and taxation paid.

## **Liquidity**

The liquidity position is strong, and the Group has R7,4 billion in unutilised banking and floorplan facilities. A total of 63% of the Group funding is long-term in nature. Excluding floorplan funding, 7% of the funding is at fixed interest rates.

## **Dividend**

A total dividend of 710 cents per ordinary share was declared as a dividend for the year. 300 cents per ordinary share was paid as an interim dividend in March 2023 and a year end dividend of 410 cents per ordinary share will be paid in October 2023.

## **Board changes**

Motus is led by a diverse board of directors (Board), the majority of whom are independent, with extensive industry knowledge and expertise. The Board subscribes to high standards of corporate governance, ethical leadership, sustainability and stakeholder inclusivity.

The Board is committed to good corporate governance and, as the custodian thereof, ensures that Motus adheres to the highest standards of accountability, fairness and ethics – essential in building and maintaining trust and delivering value.

Changes to the Board during the year:

- Mr. GW Dempster resigned as an independent non-executive director and Chairman of the Board with effect from 7 June 2023.
- Mr. MJN Njeke was appointed as Interim Chairman of the Board with effect from 8 June 2023.
- Mr. PJS Crouse and Ms. NB Duker resigned as independent non-executive directors of the Board with effect from 28 June 2023.

Changes to the Board composition and committees after year end:

- Mr. MJN Njeke was appointed as Chairman of the Board, Chairman of the Nomination Committee (NomCo) and resigned as Chairman and as a member of the Social, Ethics & Sustainability Committee (SES) with effect from 22 August 2023. He resigned as Chairman of the Remuneration Committee (RemCo), and remains a member of this Committee, with effect from 29 August 2023.
- Ms. F Roji was appointed as Chairman of the SES Committee with effect from 22 August 2023.
- Mr. JN Potgieter joined the Board as an independent non-executive director with effect from 22 August 2023, and was appointed as Chairman of the Assets and Liabilities Committee (ALCO) and a member of the Audit and Risk Committee (ARC).
- Ms. MG Mokoka joined the Board as an independent non-executive director with effect from 29 August 2023, and was appointed as a member of the ARC and the SES Committees.
- Mr. R van Wyk joined the Board as an independent non-executive director with effect from 29 August 2023, and was appointed as Chairman of the RemCo, and a member of the NomCo and the ALCO Committees.

## **Strategy**

Grow and expand our participation in all aspects of the automotive value chain, offering competitive products and services that maximise our share of a customer's vehicle investment and engender loyalty.

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

Our diversification, internationalisation and innovation have been Motus' bedrock over the past five years. With the global industry now touching pre-pandemic levels and the South African market maintaining its resilience, it is also our foundation for local and international growth where we are targeting a 35% EBITDA contribution from our international businesses.

Our scale and operational maturity in SA positions us well to maintain our leading position and selectively expand our geographical footprint 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 staff and promote diversity, equity and inclusion in the workplace.

## **Prospects**

Weak economic growth and elevated living expenses are having a negative impact in the economies in which we operate. Increasing interest rates, along with rising fuel, energy costs, and inflation, have strained the disposable income of consumers. Moreover, the depreciation of the Rand has negatively impacted the cost of vehicles, parts, panel and accessories, compounding the challenges posed by the present economic conditions. The combination of these factors are impeding growth.

We will continue to experience elevated finance costs due to acquisitions concluded during the 2023 financial year, high working capital levels, vehicles for hire and higher interest rates. Despite the present economic conditions, we expect to deliver revenue growth and stable operating profit for the six months to 31 December 2023, compared to the six months ended 31 December 2022. Performance is supported by inflationary increases and contributions from recent acquisitions.

We expect to maintain a solid financial position, with cash flow generation from operations. The Group will continue to manage costs and monitor working capital, vehicles for hire and debt levels closely.

## **Appreciation**

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

We thank the non-executive directors who resigned for their valuable contributions over the years and welcome our new non-executive directors and wish them well in their new roles.

OS Arbee

Chief Executive Officer

OJ Janse van Rensburg

Chief Financial Officer

29 August 2023

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

## Declaration of final ordinary dividend

for the year ended 30 June 2023

Notice is hereby given that a gross final ordinary dividend in the amount of 410 cents per ordinary share has been declared by the Board, payable to the holders of the 178 300 509 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 328 cents per ordinary share.

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

|   | <b>2023</b>          |
|---|----------------------|
| Last day for ordinary shares to trade cum ordinary dividend | Tuesday, 3 October   |
| Ordinary shares commence trading ex-ordinary dividend       | Wednesday, 4 October |
| Record date   | Friday, 6 October    |
| Payment date  | Monday, 9 October    |

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

Share certificates may not be dematerialised/rematerialised between Wednesday, 4 October 2023 and Friday, 6 October 2023, both days inclusive.

On Monday, 9 October 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 or broker, credited on Monday, 9 October 2023.

On behalf of the Board

NE Simelane

Company Secretary

29 August 2023

## **Corporate information**

### **Directors**

MJN Njeke (Chairman)\*

A Tugendhaft (Deputy Chairman)\*\*

OS Arbee (CEO)#

OJ Janse van Rensburg (CFO)#

KA Cassel#

S Mayet\*

MG Mokoka\*

JN Potgieter\*

F Roji\*

R van Wyk\*

\* Independent non-executive

\*\* Non-executive

# Executive

### **Company Secretary**

NE Simelane

nsimelane@motus.co.za

### **Group Investor Relations Manager**

J Oosthuizen

motusIR@motus.co.za

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

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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

### **Auditor**

Deloitte & Touche

5 Magwa Crescent

Waterfall City

Waterfall, 2090

**Sponsor**

Merchantec Capital

13th Floor, Illovo Point

68 Melville Road

Illovo, Sandton

(PO Box 41480, Craighall, 2024)

**Release date 30 August 2023****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 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 can be viewed on the JSE link: <https://senspdf.jse.co.za/documents/2023/jse/isse/mthe/ye23.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 audited consolidated and separate annual financial statements including the unmodified audit opinion which details the key audit matters of the external auditor Deloitte & Touche, is available at <https://www.motus.co.za/investors/integrated-reports/>.