



2022

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

GROUP OPERATIONS

Retail motor dealerships



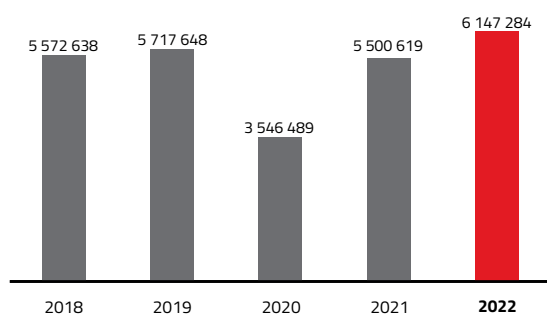
Divisions



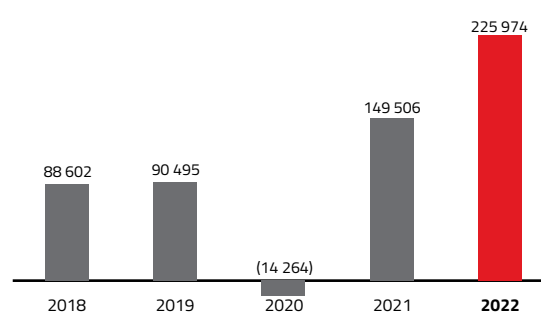
CONSOLIDATED FINANCIAL HIGHLIGHTS

		Change %	Unaudited 6 months 31 August 2022	Unaudited 6 months 31 August 2021	Audited 12 months 28 February 2022
Total assets	(R'000)	25	4 398 478	3 532 643	3 778 740
Cash resources	(R'000)	(6)	601 817	640 232	817 739
Net asset value per share	(cents)	21	1 564	1 292	1 484
Revenue	(R'000)	12	6 147 284	5 500 619	11 167 798
Operating profit	(R'000)	45	372 291	256 124	606 146
Total profit and comprehensive income	(R'000)	51	225 974	149 506	374 887
Earnings per share	(cents)	51	302	200	501
Headline earnings per share	(cents)	51	302	200	501
Dividend per share					
– paid June 2021	(cents)		125		
– paid December 2021	(cents)		110		
– paid June 2022	(cents)		225		
– payable December 2022	(cents)		168		

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 2022

	Unaudited 31 August 2022 R'000	Unaudited 31 August 2021 R'000	Audited 28 February 2022 R'000
ASSETS			
Non-current assets			
Plant and equipment	96 794	62 713	67 432
Right-of-use assets	512 702	536 251	450 565
Car hire fleet vehicles	955 317	556 190	828 375
Goodwill	57 296	57 296	57 296
Insurance receivable	59 514	41 788	44 631
Deferred taxation	87 317	71 257	84 854
	1 768 940	1 325 495	1 533 153
Current assets			
Inventories	1 634 402	1 258 509	1 150 218
Trade and other receivables	393 319	306 872	276 307
Current tax receivable	–	1 535	1 323
Cash and cash equivalents	601 817	640 232	817 739
	2 629 538	2 207 148	2 245 587
Total assets	4 398 478	3 532 643	3 778 740
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	38 091	38 091	38 091
Share-based payment reserve	5 769	2 549	3 567
Retained earnings	1 126 405	925 636	1 068 735
Total equity	1 170 265	966 276	1 110 393
Non-current liabilities			
Car hire fleet liabilities	199 066	180 997	148 002
Lease liabilities	559 919	583 663	496 069
	758 985	764 660	644 071
Current liabilities			
Trade and other payables	1 641 017	1 391 718	1 305 850
Car hire fleet liabilities	710 258	305 309	605 365
Lease liabilities	105 041	95 288	101 834
Current tax liabilities	12 912	9 392	11 227
	2 469 228	1 801 707	2 024 276
Total liabilities	3 228 213	2 566 367	2 668 347
Total equity and liabilities	4 398 478	3 532 643	3 778 740

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

		Unaudited 6 months 31 August 2022 R'000	Unaudited 6 months 31 August 2021 R'000	Audited 12 months 28 February 2022 R'000
Revenue		6 147 284	5 500 619	11 167 798
Cost of sales		(4 934 184)	(4 556 850)	(9 097 650)
Gross profit		1 213 100	943 769	2 070 148
Other income		4 080	4 762	16 963
Selling and administration expenses		(844 889)	(692 407)	(1 480 965)
Operating profit		372 291	256 124	606 146
Finance income		15 782	11 473	28 313
Finance costs		(73 537)	(60 982)	(124 105)
Profit before taxation		314 536	206 615	510 354
Tax expense		(88 562)	(57 109)	(135 467)
Total profit and comprehensive income		225 974	149 506	374 887
RECONCILIATION OF HEADLINE EARNINGS				
Total profit and comprehensive income		225 974	149 506	374 887
Re-measurement items				
– profit on sale of plant and equipment				
– gross		(26)	(104)	(216)
– impact of income tax		7	28	60
Headline earnings		225 955	149 430	374 731
Weighted average number of shares in issue	('000)	74 802	74 802	74 802
EARNINGS PER SHARE				
Basic	(cents)	302	200	501
Diluted basic	(cents)	294	200	488
Headline	(cents)	302	200	501
Diluted headline	(cents)	294	200	487
DIVIDENDS PER SHARE				
In respect of six months to August 2022				
– payable December 2022	(cents)	168	110	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 28 February 2021	38 091	1 529	869 633	909 253
Total profit and comprehensive income			149 506	149 506
Share-based payment charge		1 020		1 020
Dividends paid			(93 503)	(93 503)
Balance at 31 August 2021	38 091	2 549	925 636	966 276
Total profit and comprehensive income			225 381	225 381
Share-based payment charge		1 018		1 018
Dividends paid			(82 282)	(82 282)
Balance at 28 February 2022	38 091	3 567	1 068 735	1 110 393
Total profit and comprehensive income			225 974	225 974
Share-based payment charge		2 202		2 202
Dividends paid			(168 304)	(168 304)
Balance at 31 August 2022	38 091	5 769	1 126 405	1 170 265

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

	Unaudited 6 months 31 August 2022 R'000	Unaudited 6 months 31 August 2021 R'000	Audited 12 months 28 February 2022 R'000
Cash flows from operating activities			
Operating profit	372 291	256 124	606 146
Adjustments for non-cash items	103 661	89 785	191 873
Sale of car hire fleet vehicles	184 389	149 414	270 597
Purchase of car hire fleet vehicles	(364 768)	(181 758)	(613 595)
Working capital changes	(110 072)	(247 164)	72 886
Cash generated from operations	185 501	66 401	527 907
Taxation paid	(80 777)	(48 253)	(133 910)
Net cash movement from operating activities	104 724	18 148	393 997
Cash flows from investing activities			
Purchase of plant and equipment	(46 712)	(8 274)	(32 176)
Disposal of property	–	72 000	72 000
Acquisition of business	–	(4 691)	(4 691)
Proceeds on disposal of plant and equipment	862	413	3 544
Investment in special purpose entities conducting insurance underwriting activities	–	(3 890)	(3 750)
Dividend received from special purpose entities conducting insurance underwriting activities	3 736	1 896	9 950
Net cash movement from investing activities	(42 114)	57 454	44 877
Cash flows from financing activities			
Finance income received	13 919	9 219	22 268
Finance costs paid	(73 537)	(60 982)	(124 105)
Principal element of lease liability repayments	(50 610)	(44 929)	(98 338)
Dividends paid	(168 304)	(93 503)	(175 785)
Net cash movement from financing activities	(278 532)	(190 195)	(375 960)
Net movement in cash and cash equivalents	(215 922)	(114 593)	62 914
Cash and cash equivalents at beginning of period	817 739	754 825	754 825
Cash and cash equivalents at end of period	601 817	640 232	817 739

SEGMENT INFORMATION

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

	Total R'000	Motor retail/ distribution R'000	Car hire R'000	Financial services R'000	Corporate services/Other R'000
2022					
External revenue	6 147 284	5 672 758	369 787	73 069	31 670
Inter-segment revenue	19 411	–	161	–	19 250
Segment revenue	6 166 695	5 672 758	369 948	73 069	50 920
Operating profit/(loss)	372 291	199 511	155 506	28 638	(11 364)
Finance income	15 782	–	–	1 863	13 919
Finance costs	(73 537)	(39 728)	(32 801)	–	(1 008)
Profit before taxation	314 536	159 783	122 705	30 501	1 547
After charging					
– employee costs	463 257	375 919	46 010	–	41 328
– depreciation					
– plant and equipment	16 514	13 171	470	–	2 873
– right-of-use assets	55 530	52 950	1 579	–	1 001
– car hire fleet vehicles	53 437	–	53 437	–	–
Total assets	4 398 478	2 669 795	1 044 775	67 156	616 752
Total liabilities	3 228 213	2 213 746	982 158	–	32 309
Goodwill at period-end	57 296	57 296	–	–	–
	Total R'000	Retail motor R'000	Car hire R'000	Financial services R'000	Corporate services/Other R'000
2021					
External revenue	5 500 619	5 218 579	194 961	65 874	21 205
Inter-segment revenue	12 807	–	143	–	12 664
Segment revenue	5 513 426	5 218 579	195 104	65 874	33 869
Operating profit/(loss)	256 124	182 264	63 911	16 621	(6 672)
Finance income	11 473	–	–	2 254	9 219
Finance costs	(60 982)	(41 721)	(18 139)	–	(1 122)
Profit before taxation	206 615	140 543	45 772	18 875	1 425
After charging					
– employee costs	409 346	337 974	36 525	–	34 847
– depreciation					
– plant and equipment	13 644	10 771	877	–	1 996
– right-of-use assets	56 190	53 051	2 138	–	1 001
– car hire fleet vehicles	31 900	–	31 900	–	–
Total assets	3 532 643	2 248 033	616 477	45 036	623 097
Total liabilities	2 566 367	1 984 906	543 794	–	37 667
Goodwill at period-end	57 296	57 296	–	–	–

COMMENTARY

The Board of Directors is proud to report on a period during which the Group recorded outstanding results despite the headwinds faced by the economy. The achievement of a 51% increase in headline earnings reflects the resilience and agility shown by the Group in adapting to difficult and uncertain trading conditions.

New vehicle sales were hampered by continued disruption to the supply chain by the shortage of electronic chips. The surging petrol price has created a drain on consumers' disposable income. Ongoing, and more severe, loadshedding has played havoc with business productivity, and necessitated costly investment in alternative power sources. The country has suffered six successive interest rate hikes in less than a year, and those, together with more restrictive lending criteria applied by finance houses, has placed a considerable strain on vehicle affordability.

STATEMENT OF COMPREHENSIVE INCOME

The 11,7% increase in revenue is largely due to an increase in both new vehicle prices and volume sales. The improvement in the gross profit margin, from 17,2% to 19,7%, reflects the increased contribution from the car hire and financial services segments, both of which enjoy higher trading returns than the motor retail and distribution segment. Selling and administrative costs increased 22%, a third of which relates to employee remuneration, principally variable incentives relating to the 28% rise in gross profit. Net interest expense has risen in line with the various hikes in the prime overdraft rate, and the tax rate has increased marginally to 28,2%. The net result is a 51% improvement in both EPS and HEPS. The Board has recommended the payment, in December 2022, of a dividend of 168 cents per share, up 53% on the comparative period.

STATEMENT OF FINANCIAL POSITION

The only noteworthy movement in the statement of financial position is the increased investment in working capital including car hire fleet movements, which arose from the higher trading levels compared to August 2021. The inventory value includes the initial purchase of Proton vehicles ahead of the September launch. The value of cash resources has reduced from year end, partly because of the Proton inventory investment and partly because of the dividend of R168 million paid in June.

MOTOR RETAIL / DISTRIBUTION

Group new vehicle unit sales increased 17%, against national sales growth of 12%. In respect of all the brands where the Group is well represented, unit sales penetration levels were higher than those achieved by the manufacturers in the national market. Inventory availability from a number of manufacturers improved during the latter months of the review period, and is expected to continue over the balance of the financial year.

The Group has been appointed as the importer and distributor of the Malaysian-sourced range of Proton vehicles. The first models were officially launched in September 2022. The Group currently has a network of 12 owned retail outlets, complemented by six independent dealerships. It is expected that the network will grow to a total of 30 within the next 12 months. All setup costs, in respect of both the distributor and retail operations, have been expensed in the period under review.

Used vehicle outlets recorded a decline in operating profit, reflecting the tougher trading conditions which prevailed during the latter months. Both parts and workshop departments enjoyed a pleasing increase in operating profit.

CAR HIRE

This segment continued the successful run it has enjoyed since its re-opening after the Covid lockdown. Since August 2021 the fleet has increased 66%, whilst revenue is up 90%. Both average daily rental and utilisation rates have risen, resulting in a 168% improvement in profit before taxation. Contracts in respect of the insurance replacement market have provided a solid base underpinning a large portion of fixed costs. This ensures that the gain in market share from the other customer sources contributes significantly to the bottom line.

FINANCIAL SERVICES

This segment comprises two divisions, *viz.* insurance underwriting and two finance joint ventures. A concerted drive to sell policies, coupled with a reduced claims rate post-Covid, has generated a substantial increase in both gross and operating profit.

The conservative doubtful debt provisioning during the Covid era is gradually being released with the result that the joint ventures recorded in excess of 100% operating profit improvement, albeit off a low base.

PROSPECTS

The Board expects a tougher second six months. Rising interest rates, and worsening power cuts, which have slowed the momentum of new vehicle sales, are set to continue to bring despondency to the economy. The improvement in the new vehicle supply chain will have mixed consequences. On the one hand the customer waiting list will be eliminated for all but a select few models. However, the pressure by manufacturers on retailers to increase sales volumes in order to gain market share and reduce their inventory levels will intensify. Volume incentive schemes will drive trading practices and gross margins will be squeezed. The national new car market is not expected to show further month-on-month increases over the balance of the calendar year. Both the new and used vehicle markets face the pressure of rising interest rates coupled with a fall in confidence levels. This is evidenced by the number of deals initiated by customers and approved by the finance houses, but where the customer has a change of heart and declines the purchase.

Offsetting the negatives is the recent news that the oil price is falling, albeit off a very high base, and that will provide welcome relief at the petrol pumps. It appears that the Covid threat is behind us, tourism is increasing sharply, and car hire forward reservations indicate a bumper period through to April 2023. The Proton venture will start to generate profits and cash flow as it gains momentum during the next 12 months.

The Board remains confident that the strength of the Group's financial position and business model will enable it to weather the expected short- to medium-term storm and continue to produce satisfactory results.

COMMENTARY CONTINUED

DIVIDEND DECLARATION

A dividend of 168 cents per share will be paid on Monday, 19 December 2022 to members reflected in the share register of the Company at the close of business on the record date, Thursday, 15 December 2022. Last day to trade *cum* dividend is Monday, 12 December 2022. First day to trade *ex* dividend is Tuesday, 13 December 2022. Share certificates may not be dematerialised or rematerialised from Tuesday, 13 December 2022 to Thursday, 15 December 2022, 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 R125 667 357 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 134,4 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

CHANGES IN DIRECTORATE

LCZ Cele retired on 7 June 2022. As a consequence of her retirement, the composition of various committees of the Board has changed. The amended committee members are as follows:

Remuneration Committee:

Chairman: JA Mabena (non-executive independent)
Members: JS Dixon (non-executive independent)
ME Jones (non-executive independent)

Nominations Committee:

Chairman: JS Dixon (non-executive independent)
Members: ME Jones (non-executive independent)
JA Mabena (non-executive independent)

Social, ethics and transformation committee:

Chairman: JA Mabena (non-executive independent)
Members: BWJ Barritt (executive)
JS Dixon (non-executive independent)
RT Komane (non-executive independent)
JD McIntosh (chief executive officer)

Audit and risk assessment committee:

Chairman: ME Jones (non-executive independent)
Members: AY Metu (non-executive independent)
R Nkadimeng (non-executive independent)

BASIS OF PREPARATION

The unaudited interim financial results for the six months ended 31 August 2022 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 2022 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 28 February 2022 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.

By order of the board of directors



K Fonseca CA(SA)
Company Secretary

18 October 2022

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*
AY Metu*
MR Nkadimeng*

* *Independent non-executive*

TRANSFER SECRETARIES

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Private Bag X9000
Saxonwold, 2132

AUDITOR

KPMG Inc.

COMPANY SECRETARY

K Fonseca

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