

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 AUGUST

2021

GROUP OPERATIONS

Retail motor dealerships

VOLVO



ISUZU



HAVAL
Global Intelligent SUV Expert

Mahindra
Rise.

CMH FLEET SOLUTIONS
mobility through partnership



UD TRUCKS



TOYOTA



GWM



SUZUKI



SUBARU.



CITROËN



RENAULT



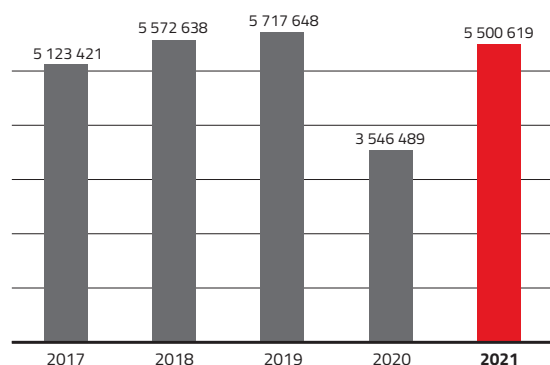
Divisions



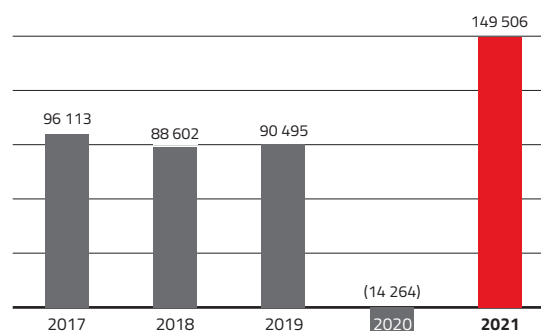
GROUP FINANCIAL HIGHLIGHTS

		Change %	Unaudited 6 months 31 August 2021	Unaudited 6 months 31 August 2020	Unaudited 6 months 31 August 2019	Audited 12 months 28 February 2021
Total assets	(R'000)	8	3 532 643	3 258 088	3 578 634	3 274 003
Cash resources	(R'000)	5	640 232	609 646	539 664	754 825
Net asset value per share	(cents)	20	1 292	1 074	1 014	1 216
Revenue	(R'000)	55	5 500 619	3 546 489	5 717 648	8 579 558
Operating profit	(R'000)	427	256 124	48 638	200 067	345 045
Total profit/(loss) and comprehensive income	(R'000)	1 148	149 506	(14 264)	90 495	168 763
Basic earnings per share	(cents)	1 153	200	(19)	121	226
Headline earnings per share	(cents)	1 529	200	(14)	121	230
Dividend paid per share	(cents)					100
Dividend per share in respect of 6 months to August 2021 – payable December 2021	(cents)		110	–	61	

REVENUE FOR THE SIX MONTHS ENDED 31 AUGUST (R'000)



TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 AUGUST (R'000)



GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2021

	Unaudited 31 August 2021 R'000	Unaudited 31 August 2020 R'000	Audited 28 February 2021 R'000
ASSETS			
Non-current assets			
Plant and equipment	62 713	74 927	67 068
Right-of-use assets	536 251	470 968	417 523
Car hire fleet vehicles	556 190	553 448	555 746
Goodwill	57 296	42 578	42 578
Insurance receivable	41 788	43 269	28 876
Deferred taxation	71 257	69 628	61 947
	1 325 495	1 254 818	1 173 738
Current assets			
Inventories	1 258 509	1 011 505	1 033 005
Trade and other receivables	306 872	302 428	238 666
Tax paid in advance	1 535	7 691	1 769
Cash and cash equivalents	640 232	609 646	754 825
	2 207 148	1 931 270	2 028 265
Property held for sale	–	72 000	72 000
Total assets	3 532 643	3 258 088	3 274 003
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	38 091	38 091	38 091
Share-based payment reserve	2 549	9 711	1 529
Retained earnings	925 636	753 990	869 633
Ordinary shareholders' equity	966 276	801 792	909 253
Non-controlling interest	–	1 315	–
Total equity	966 276	803 107	909 253
Non-current liabilities			
Borrowings	180 997	95 465	89 011
Lease liabilities	583 663	515 984	458 882
	764 660	611 449	547 893
Current liabilities			
Trade and other payables	1 391 718	1 276 221	1 271 120
Borrowings	305 309	483 134	451 853
Lease liabilities	95 288	81 602	90 080
Current tax liabilities	9 392	2 575	3 804
	1 801 707	1 843 532	1 816 857
Total liabilities	2 566 367	2 454 981	2 364 750
Total equity and liabilities	3 532 643	3 258 088	3 274 003

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	Unaudited 6 months 31 August 2021 R'000	Unaudited 6 months 31 August 2020 R'000	Unaudited 6 months 31 August 2019 R'000	Audited 12 months 28 February 2021 R'000
Revenue	5 500 619	3 546 489	5 717 648	8 579 558
Cost of sales	(4 556 850)	(2 875 199)	(4 756 528)	(7 087 850)
Gross profit	943 769	671 290	961 120	1 491 708
Other income	4 762	7 946	4 363	26 230
Impairment of goodwill	–	(6 250)	–	(6 250)
Selling and administration expenses	(692 407)	(624 348)	(765 416)	(1 166 643)
Operating profit	256 124	48 638	200 067	345 045
Finance income	11 473	12 689	17 803	25 937
Finance costs	(60 982)	(79 727)	(96 071)	(136 662)
Profit/(loss) before taxation	206 615	(18 400)	121 799	234 320
Tax expense	(57 109)	4 136	(31 304)	(65 557)
Total profit/(loss) and comprehensive income	149 506	(14 264)	90 495	168 763
Attributable to:				
Equity holders of the Company	149 506	(14 221)	90 635	168 763
Non-controlling interest	–	(43)	(140)	–
	149 506	(14 264)	90 495	168 763
RECONCILIATION OF HEADLINE EARNINGS				
Total profit/(loss) and comprehensive income attributable to equity holders of the Company	149 506	(14 221)	90 635	168 763
Re-measurement items:				
– profit on disposal of dealership	–	(2 520)	–	(2 520)
– impairment of goodwill	–	6 250	–	6 250
– profit on sale of plant and equipment				
– gross	(104)	(37)	(266)	(216)
– impact of income tax	28	10	74	60
Headline earnings attributable to equity holders of the Company	149 430	(10 518)	90 443	172 337
Weighted average number of shares in issue ('000)	74 802	74 802	74 802	74 802
EARNINGS PER SHARE				
Basic (cents)	200	(19)	121	226
Diluted basic (cents)	200	(19)	121	226
Headline (cents)	200	(14)	121	230
Diluted headline (cents)	200	(14)	120	230
DIVIDENDS PER SHARE				
In respect of six months to August 2021				
– payable December 2021 (cents)	110	–	61	

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 29 February 2020	38 091	12 747	762 925	813 763	1 358	815 121
Total loss and comprehensive income			(14 221)	(14 221)	(43)	(14 264)
Release following forfeiture of share appreciation rights		(5 286)	5 286	–		
Share-based payment charge		2 250		2 250		2 250
Balance at 31 August 2020	38 091	9 711	753 990	801 792	1 315	803 107
Total profit and comprehensive income			182 984	182 984	43	183 027
Release following forfeiture of share appreciation rights		(7 461)	7 461	–		
Share-based payment release		(721)		(721)		(721)
Dividends paid			(74 802)	(74 802)	(1 358)	(76 160)
Balance at 28 February 2021	38 091	1 529	869 633	909 253	–	909 253
Total profit and comprehensive income			149 506	149 506		149 506
Share-based payment charge		1 020		1 020		1 020
Dividends paid			(93 503)	(93 503)		(93 503)
Balance at 31 August 2021	38 091	2 549	925 636	966 276	–	966 276

GROUP STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	Unaudited 6 months 31 August 2021 R'000	Unaudited 6 months 31 August 2020 R'000	Audited 12 months 28 February 2021 R'000
Cash flows from operating activities			
Operating profit	256 124	48 638	345 045
Adjustments for non-cash items	89 785	86 189	146 290
Sale of car hire fleet vehicles	149 414	168 675	366 396
Purchase of car hire fleet vehicles	(181 758)	(38 922)	(250 723)
Working capital changes	(247 164)	(111 389)	(108 053)
Cash generated from operations	66 401	153 191	498 955
Taxation paid	(48 253)	(7 831)	(58 703)
Net cash movement from operating activities	18 148	145 360	440 252
Cash flows from investing activities			
Purchase of plant and equipment	(8 274)	(3 326)	(15 050)
Purchase of property	–	(72 000)	(72 000)
Disposal of property	72 000	–	–
Acquisition of business	(4 691)	(24 630)	(23 866)
Proceeds on disposal of plant and equipment	413	190	3 346
Disposal of business	–	5 164	5 164
Investment in special purpose entities conducting insurance underwriting activities	(3 890)	(1 250)	(1 250)
Dividend received from special purpose entities conducting insurance underwriting activities	1 896	15 000	39 598
Net cash movement from investing activities	57 454	(80 852)	(64 058)
Cash flows from financing activities			
Finance income received	9 219	9 862	20 661
Finance costs paid	(60 982)	(79 727)	(136 662)
Principal element of lease liability repayments	(44 929)	(44 619)	(84 054)
Dividends paid	(93 503)	–	(76 160)
Repayment of secured loans acquired	–	–	(4 776)
Net cash movement from financing activities	(190 195)	(114 484)	(280 991)
Net movement in cash and cash equivalents	(114 593)	(49 976)	95 203
Cash and cash equivalents at beginning of period	754 825	659 622	659 622
Cash and cash equivalents at end of period	640 232	609 646	754 825

SEGMENT INFORMATION

FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	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	–	–	–
	Total R'000	Retail motor R'000	Car hire R'000	Financial services R'000	Corporate services/Other R'000
2020					
External revenue	3 546 489	3 389 590	99 463	49 685	7 751
Inter-segment revenue	9 952	–	–	–	9 952
Segment revenue	3 556 441	3 389 590	99 463	49 685	17 703
Operating profit/(loss)	48 638	50 662	(936)	10 445	(11 533)
Finance income	12 689	–	–	2 827	9 862
Finance costs	(79 727)	(54 808)	(24 919)	–	–
(Loss)/profit before taxation	(18 400)	(4 146)	(25 855)	13 272	(1 671)
After charging					
– employee costs	279 886	228 488	24 926	–	26 472
– depreciation					
– plant and equipment	13 784	10 666	1 220	–	1 898
– right-of-use assets	56 346	52 788	2 557	–	1 001
– car hire fleet vehicles	30 114	–	30 114	–	–
Total assets	3 258 088	1 874 288	617 917	43 269	722 614
Total liabilities	2 454 981	1 774 654	627 721	–	52 606
Goodwill at period-end	42 578	42 578	–	–	–

COMMENTARY

The directors report with pride on a remarkable set of results in respect of the six months under review. The tough business decisions taken and implemented in 2020 have stood the Group in good stead, and have positioned it well to take advantage of the modest uptick in economic activity. Business and consumer confidence experienced a roller coaster ride during the period. The onset of the third wave of Covid-19 infections forced more restrictive lockdown regulations, with a continued negative impact on the travel, hospitality and car hire sectors. Then followed the belated introduction of vaccines, and the gradual reduction of new cases. The pandemic was forced to take a back seat during July 2021, when the nation was traumatised by a week of anarchy, looting, wanton destruction and killing. Residents of KwaZulu-Natal and parts of Gauteng were stunned by the events, and the lack of police/army support. Although little physical damage to the Group business was suffered, all KwaZulu-Natal outlets were closed for a week, and then suffered a slump in trading during the rest of the month. It is estimated that the events caused the Group a 12% loss in headline earnings. August heralded an improvement in civil stability and a recovery in both confidence levels and new vehicle sales.

STATEMENT OF COMPREHENSIVE INCOME

For obvious reasons, the statement of comprehensive income bears little resemblance to the immediate past reporting period. For this reason the reported results of both 2020 and 2019 have been presented. Assessing the current period against the comparatives reflects improvement in all levels – revenue, trading margins, operating expenses, and net interest costs. These factors have combined to produce headline earnings of 200 cents per share, up 1 529% on the negative 14 cents last year, and 65% on the positive 121 cents achieved in 2019. Last year no interim dividend was declared in view of the trading loss. In respect of the current reporting period the directors have recommended a payment of 110 cents per share.

STATEMENT OF FINANCIAL POSITION

The statement of financial position records few noteworthy changes from the comparative period-ends. The increase in goodwill, inventory and receivables reflect the effects of the acquisition of a dealership in Ballito, and general improvements in trading levels. The property previously recorded as held for sale, was disposed of in March 2021. The total value of borrowings in respect of the car hire fleet has reduced from R579 million to the current R486 million, although the fleet book value has remained substantially unchanged. This is because Group cash resources have been utilised to settle due debt. The related vehicles have not yet been sold as the national new vehicle shortage has meant that they have not been able to be replaced.

Despite the payment of a dividend of R97 million in June 2021, relating to the year ended February 2021, total cash resources remain solid at R640 million.

RETAIL MOTOR

The 54% increase in revenue, improved trading margin, slashed operating expenses, and lower interest rate have driven the segment's return from a pre-tax loss last year, to its best-ever first six months results. Overseas Covid-19-related factory closures have caused disruptions in the component supply chains, principally from China and India. However, the consequent new vehicle stock shortages have created the opportunity to improve gross margins and increase accessory sales.

The shortage of new vehicle stock has led to fewer sales and, consequently, fewer used vehicle trade-ins. Additionally, it has hindered the ability of car hire operators to rotate ageing fleet units. These factors have combined to produce a dearth of suitable, well-priced used vehicles. The result has been that used car prices have risen faster than those of new cars as the demand for high-quality stock has surged.

The parts and service departments have performed well compared with the depressed prior period. However, after the surge in demand which followed last year's lockdown, revenue levels have flattened in line with both constrained economic activity and lower distances travelled, as many employees have opted, and been encouraged, to work from home.

The Group acquired a new Ford dealership in Ballito with effect from May 2021. The Group's existing Nissan, Suzuki, and Renault operations, also located in Ballito, were relocated to the new site, and a Mitsubishi franchise opened. The combined effect has been the creation of a motor city for the residents of the rapidly-growing north coast suburbs. The start-up of this addition was hampered by the July riots, but it has already proven to be a sound investment. Where possible, the Group will continue its policy of adding smaller "bolt-on" franchises to existing dealerships to maximise throughput.

CAR HIRE

First Car Rental has achieved a remarkable recovery from the depths of despair experienced during the first half of 2020. The fleet size and staff complement were sensibly optimised last year without panic or overkill. Since then there has been a steady increase in both revenue and daily hire margins. The exclusive arrangement with Safair, the most reliable airline during these troubled times, and the high-volume contracts secured in respect of the insurance replacement market, have helped increase market share. The shortage of replacement vehicles to replenish and refresh the fleet is expected to create challenges in the short term, and may give rise to lost sales opportunities as inbound tourist demand surges. However, the division has recently secured the supply of a batch of new vehicles which will ease the pressure. Those fleet vehicles which have been rotated have realised favourable sales prices.

Good news recently released is the lifting of travel restrictions to South Africa by European and United Kingdom countries. The positive impact on the whole travel and hospitality industry over the festive season and beyond will be enormous.

COMMENTARY CONTINUED

FINANCIAL SERVICES

The nature of this division is that it is not usually prone to dramatic moves, either up or down. However, the dramatic events of last year depressed the results of both the insurance cells, following the spike in death claims, and the finance joint ventures, through conservative doubtful debt provisioning. During the period under review premium income has shown continued growth and, despite the third wave of the pandemic, related claims have decreased. The reduced national interest rates have negatively impacted the income earned on the cells' cash resources.

The banks which manage the Group's finance joint ventures reported an improved economic outlook in June 2021, and advised that conservative doubtful debt provisioning last year will be eased over the next 12 months.

COVID-19

Whilst the third wave appears to have ended, the threat posed by the pandemic has not. It is believed that the country's economic recovery will be driven by the population's continued vigilance and, most importantly, the uptake of the available vaccine. The Group has embarked on an extensive drive to ensure that all staff are vaccinated. At time of reporting, approximately 82% have been treated. Sadly, the Group has lost eight valued staff members, and is determined to limit the spread, for the benefit of both employees and customers.

PROSPECTS

The directors expect continuing good results. The shortage of new vehicle stock is expected to lessen towards the end of 2021 and the start of the new year. However, the current temporary excess of demand over supply has, for some, created the perception that economic recovery has created the excess. The reality is that national sales levels are substantially behind those of the past decade, and the return of abundant supply will expose the dearth of customers who can afford a vehicle purchase. Be careful of what you wish for.

Memory of the traumatic events of July 2021, and the failure to institute timely accountability, will negatively impact foreign investment for a lengthy period. The local elections in November 2021 will be disruptive for business and, if factions turn violent, will further damage consumer confidence. In addition, as if the local economy is not experiencing enough challenges, another bout of load-shedding has commenced.

On the positive side, the continued low interest rates, the almost certain surge in the tourism and hospitality industry, and the recent move to lockdown restrictions level 1, should generate a positive macro-economic future.

DIVIDEND DECLARATION

A dividend of 110 cents per share will be paid on Monday, 20 December 2021 to members reflected in the share register of the Company at the close of business on the record date, Friday, 17 December 2021. Last day to trade *cum* dividend is Monday, 13 December 2021. First day to trade *ex* dividend is Tuesday, 14 December 2021. Share certificates may not be dematerialised or rematerialised from Tuesday, 14 December 2021 to Friday, 17 December 2021, 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 R82 282 198 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 88 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

CHANGES IN DIRECTORATE

In terms of a shareholders' agreement between CMH and its empowerment partner Thebe Investment Corporation (Pty) Ltd ("Thebe"), Thebe has the right to nominate two non-executive directors to the board of CMH. During the period under review Thebe withdrew its nomination of MR Nkadimeng and JA Mabena, and replaced them with RT Komane and AY Metu. The appointments of RT Komane and AY Metu as the new Thebe-nominated independent, non-executive directors were approved by the Board of CMH with effect from 1 July 2021, and will be placed before shareholders for approval at CMH's next annual general meeting, scheduled for June 2022.

The Board resolved to retain MR Nkadimeng and JA Mabena as independent non-executive directors in their personal capacities.

BASIS OF PREPARATION

The unaudited interim financial results for the six months ended 31 August 2021 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 JSE Limited 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.

COMMENTARY CONTINUED

The condensed consolidated financial statements for the six months ended 31 August 2021 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, PricewaterhouseCoopers 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 2021 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

19 October 2021

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
LCZ Cele*
SK Jackson
ME Jones*
RT Komane*
JA Mabena*
AY Metu*
MR Nkadimeng*

* *Independent non-executive*

COMPANY SECRETARY

K Fonseca

AUDITOR

PricewaterhouseCoopers Inc.

TRANSFER SECRETARIES

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