

South Africa - Automotive Retail Financial Performance Trends January 2023 to December 2024

Executive Overview

It would be fair to say the global village is more pronounced today which in turn implies any economic actions by the world's principal economic participants will impact the smaller economies of the world. The Russia/Ukraine conflict, the Israel / Hamas conflict continues to polarize the world and in all likelihood will be resolved in 2025. Recent elections in countries around the world, have ushered in an era in which, a nation's economic well-being is the new strategic imperative. The smaller diversified economies, who have a parcel of exportable goods and services like South Africa, will need to adapt to these new imperatives.

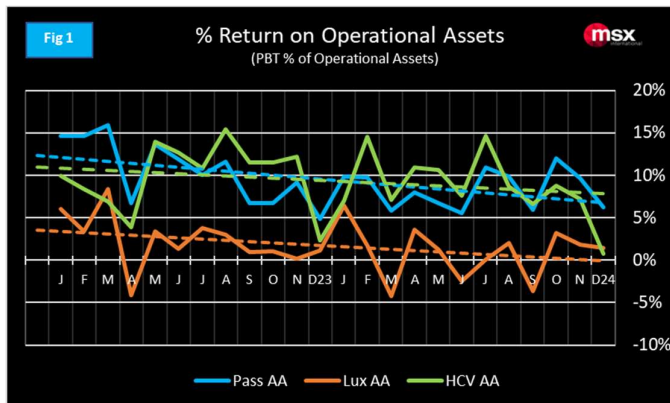
International economic sentiment is both positive and negative. South Africa will prosper despite the global economic developments.

MSX's Benchmark KPIs

The benchmark KPI's provide a point of context for judging dealer performance. These KPIs are all calculated as a monthly average. Each set of benchmarks is an aggregation of four or more brands. There will be dealers who perform better than the aggregate and there will also be dealers who perform below the aggregate.

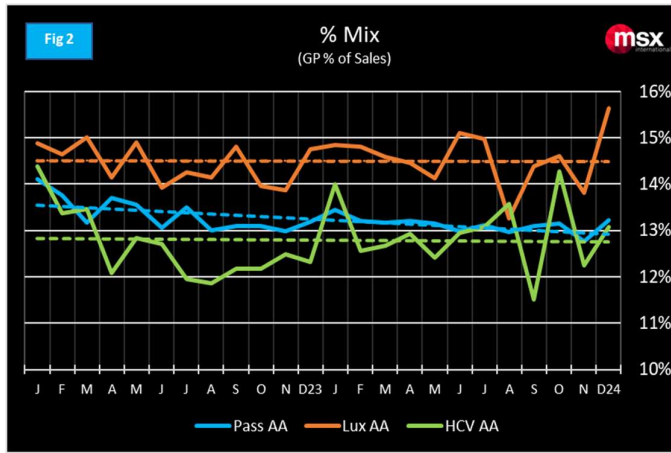
Automotive Retail Network Performance - % Return on Operational Assets - Fig 1

The aggregate decline in profitability and returns produced by dealers (Fig 1), continues to reflect the challenging business environment. The number of consumers who can afford to purchase a vehicle is constrained by poor job growth and de-industrialisation. On the other hand, vehicle imports at highly competitive price points are forcing dealers to review their business strategies.

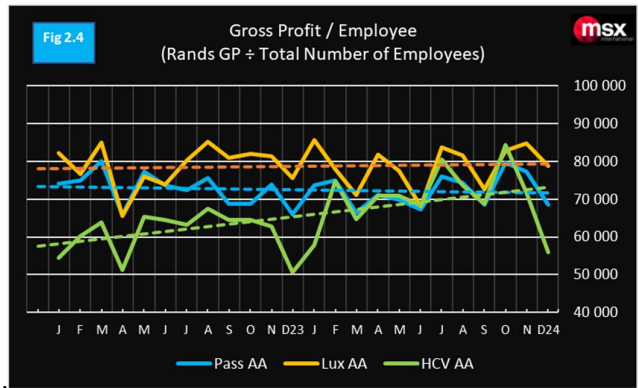
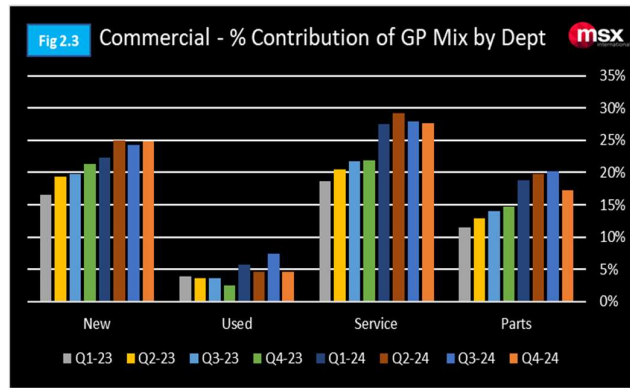
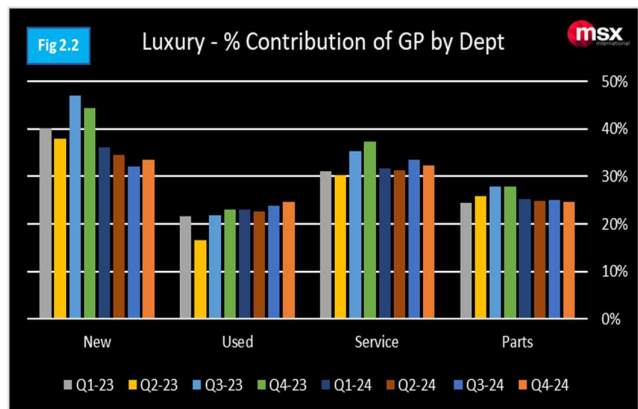
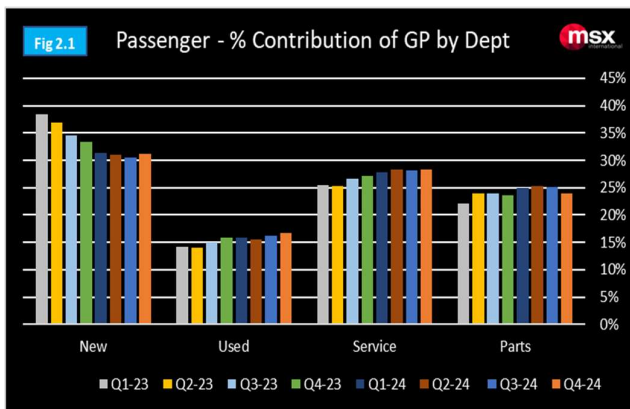


% Mix – Fig 2

Gross profit or Mix (MSX parlance) is the life blood of a dealership. Every effort must be made to maximise gross profit through the right mix of sales, unrelenting management of expenses and precise determination of inventories. The passenger segment as shown in Fig 2 reflects a decline, while luxury and commercial has remained steady.

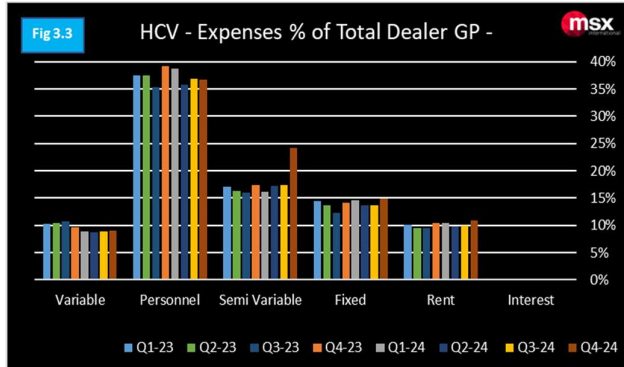
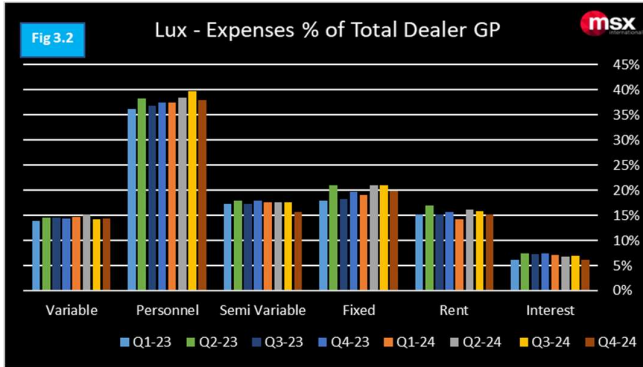
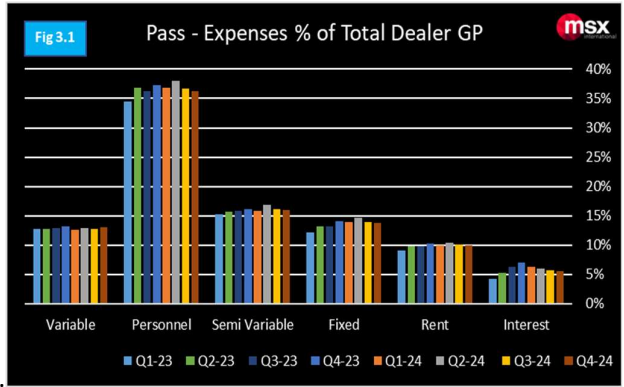
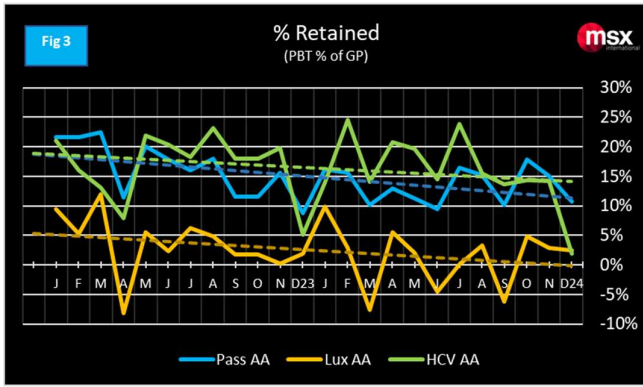


A dealership team must work to achieve a “balanced” gross profit contribution from each department. The twenty four month trends by quarter, for the three categories are reflected below. It is worth noting that the combined contribution of service and parts would equal or exceed that from new and used in each category.



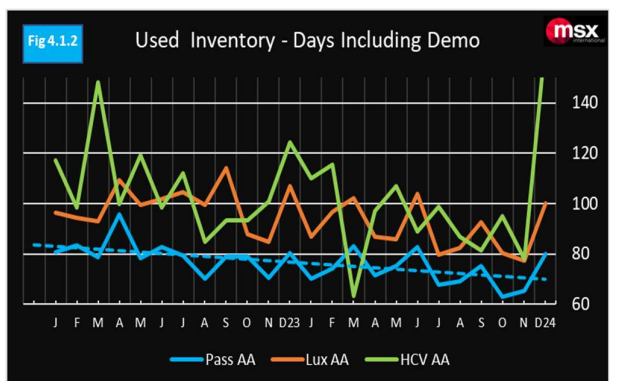
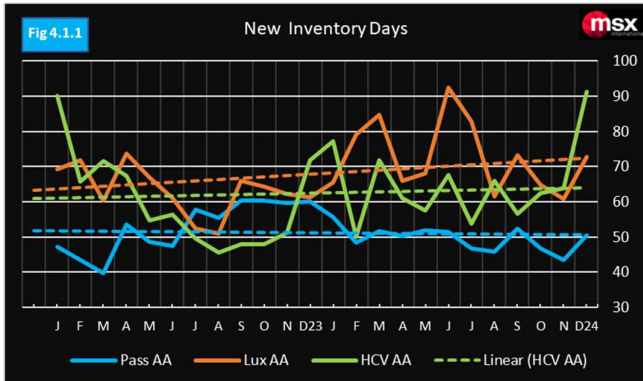
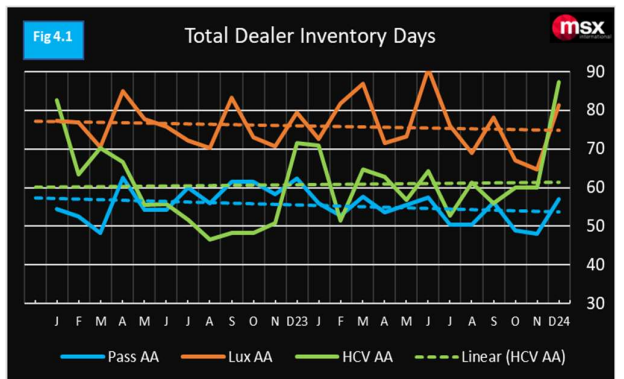
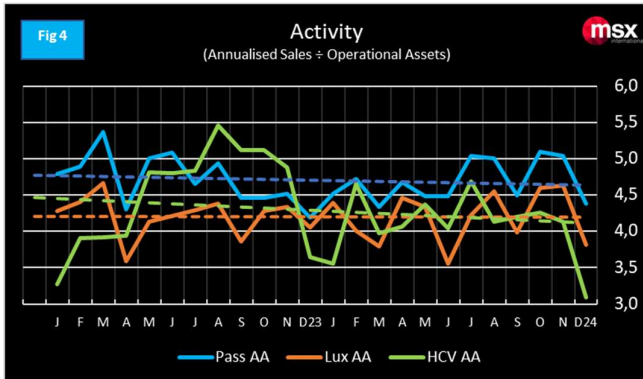
% Retained – Fig 3

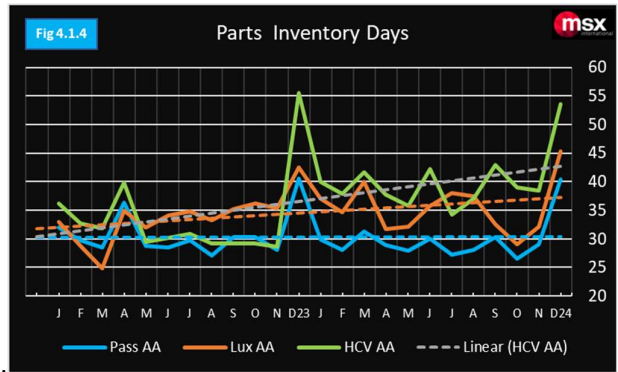
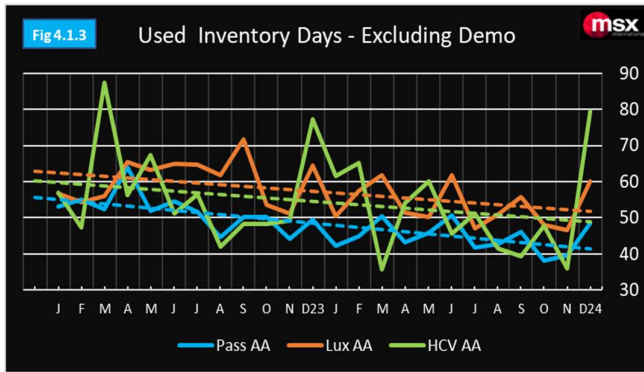
The % Retained is the Net Profit expressed as a % of the Gross Profit and it measures the cost management effectiveness of the dealership team. Keeping expenses in a defined band of spend in relation to the rise and or fall of gross margin requires tight focus. The Figures 3.1 to 3.3 show the trend of expenditure by category



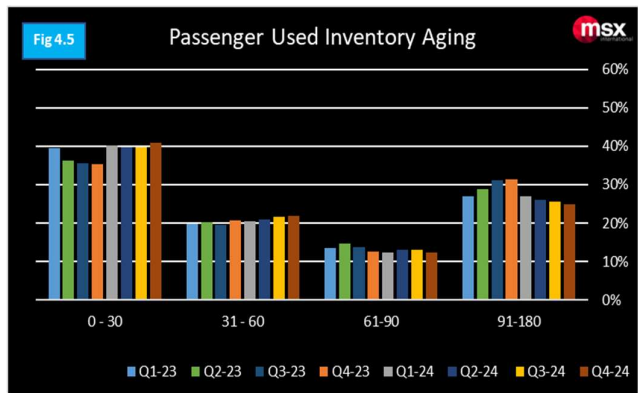
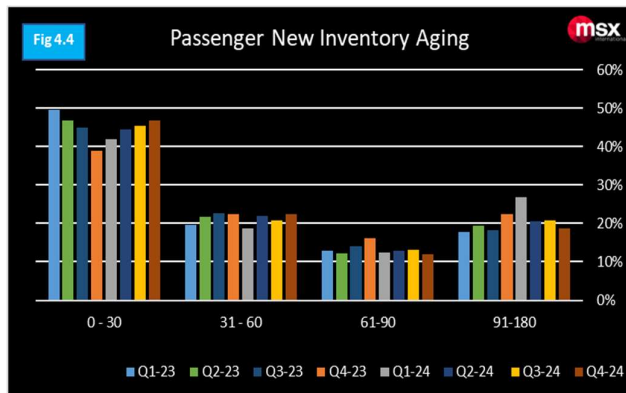
Asset Activity- Fig 4. and Fig 4.1

Activity measures the number of times operational assets are cycled in a year. The more often you can cycle your assets the more rapidly profits are generated. Operational assets exclude land and buildings. Activity usually dips in December given the holiday season. Asset activity has remained steady over the twenty four month period (Fig 4).





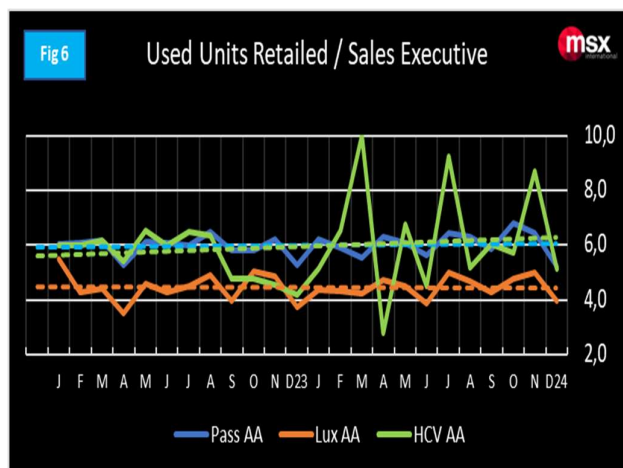
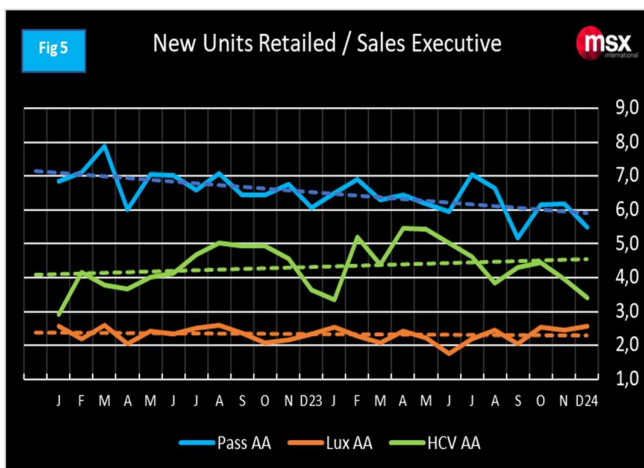
New and Used Vehicle aging are set out in Fig 4.4 and 4.5. The aging categories are set out along the horizontal axis for 30 days rising to 180 days. The analysis indicates a consistent trend from quarter to quarter.



Dealership Productivity Metrics

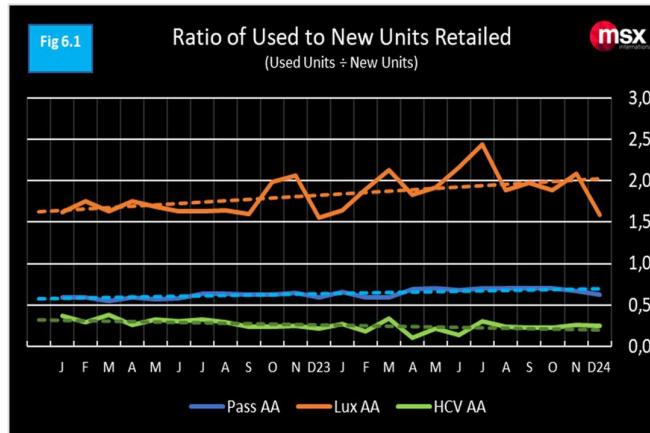
New and Used Units sold per Sales Executive Fig 5. and Fig 6.

Trends are steady and the average ability for a sales executive to sell a given number of units is indicated.



Ratio of Used to New (Fig 6.1)

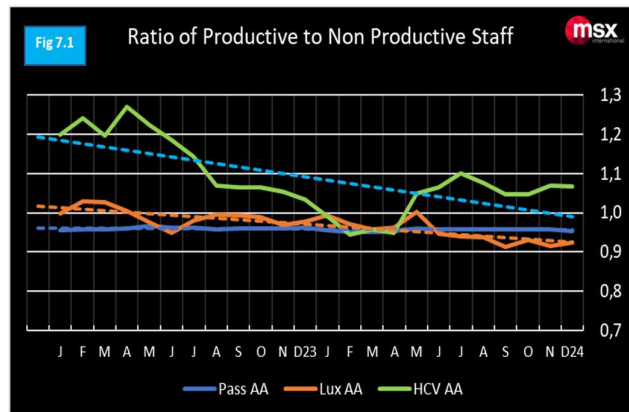
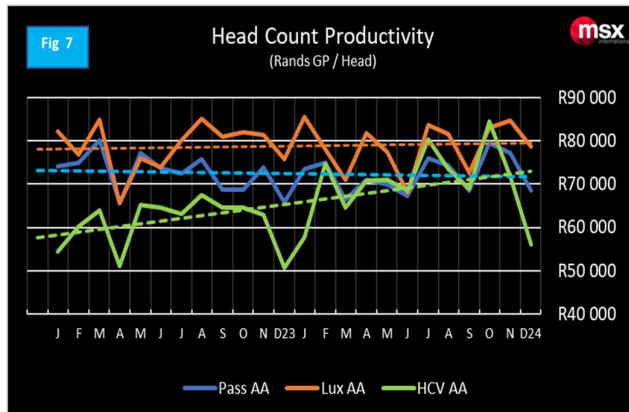
The trend of the ratio of used to new vehicles retailled is unchanged. Used vehicle sales, as reported by dealers continue to outpace the sale of new vehicles.



Head Count Productivity - Fig 7

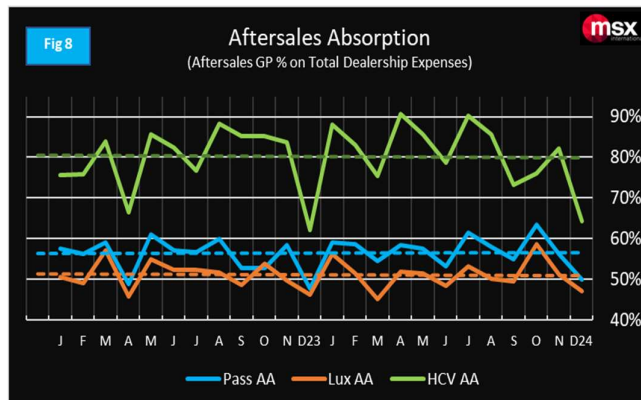
Rands per productive head (Fig 7) has on aggregate improved. The Gross Profit has remained steady (Fig 2) so a gain would potentially mean that the head count has reduced.

The ratio of productive to non-productive heads (Fig 7.1) is declining. Each dealership should investigate their particular trend. A reduction in the ratio would suggest to many non-productive heads.



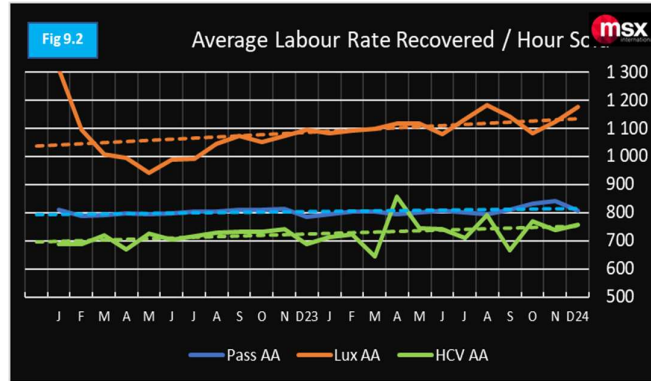
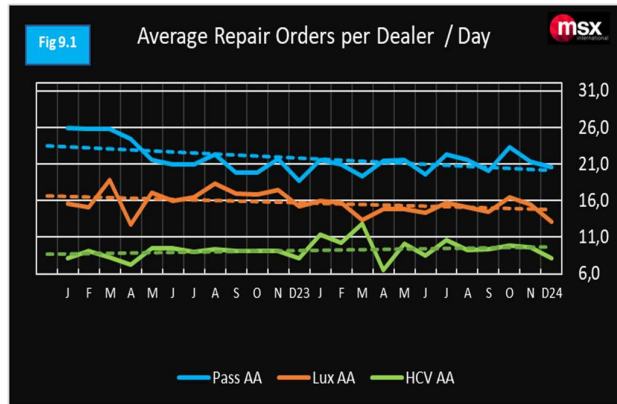
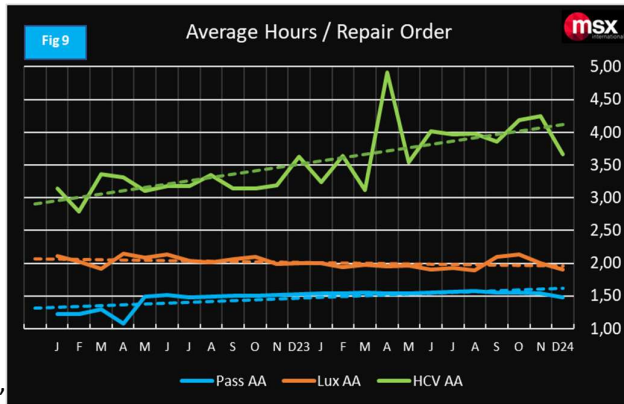
Aftersales Absorption - Fig 8

Aftersales Absorption is the measure of the gross profit contribution from Parts and Service departments to the Total Expenses of the Dealership. It is a risk indicator. The norm (+ - 60%). Where the contribution falls below 60% risk rises, if new and used vehicle sales do not bring in sufficient gross margin.



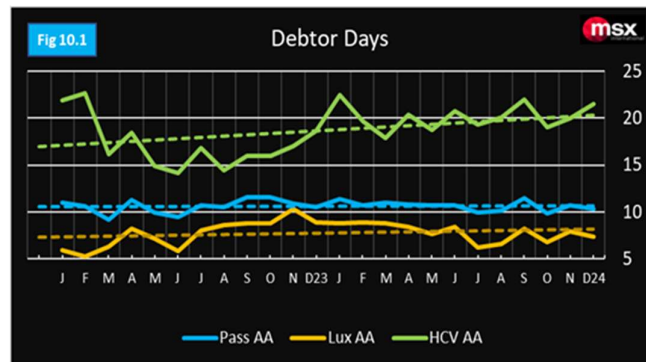
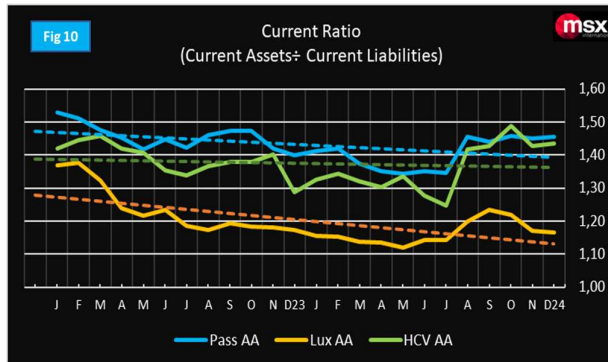
Service Productivity Figs 9, 9.1 and 9.2

Consistent trends (Fig 9)prevail with a upturn in average hours/repair order for Commercial Vehicles. A consistent pattern in ROs per day (Fig 9.1) is showing. Labour rates (Fig 9.2)continue to show a month on month rise.



Dealership Liquidity : Current Ratio – Fig 10

The current ratio is used across many industries locally and globally to indicate liquidity in a business. The norm is a cover of 2 to 1 current assets to current liabilities. The current ratio has improved in the last two quarters of 2024.



Short Term Prospects for Automotive Retail South Africa

The South Africa economy is projected to produce between 1.5 % to 2 .0% in 2025. Many initiatives by government to address the constraints of economic growth have commenced, a successful one so far being the stabilisation of the supply of electricity. Rail, road and harbour infrastructure are now receiving attention in collaboration with the private sector.

Foreign direct and private sector investment , is needed, to spur growth, as the debt burden of state owned enterprises, prohibits government infrastructure spend, being the base for driving growth in South Africa.

There is an upside potential for automotive retail which will require dealers to adapt their businesses and embrace the new rules of the game given the flow of imported vehicles.

Should you wish to have further information on industry trends and MSX's unique portfolio of performance benchmarks contact Jai Manilal.



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