

## CMH's excellent results despite tough climate

A change in the tax regime, a healthy servicing and parts business and buoyant new cars sales helped listed new and used car dealer and car rental company Combined Motor Holdings Group to "phenomenal" interim results for the six months to August 31.

Revenue surged 10% to just more than R4.3bn and, as a result of a "once-off, tax-free credit to our balance sheet of R22m" according to the company's financial director Stuart Jackson, the firm was able to raise its interim dividend 92% to 25c a share.

The share price has risen more than 30% in a year.

As Absa investment analyst Chris Gilmour noted, this "phenomenal" performance was, however, "not solely due to vastly improved car sales. It's coming from other parts of their business, such as their parts and servicing". Gilmour said this "made sense" as in difficult times people "put off buying a new car".

He also noted that the company's tax rate had dropped from 33% to 23%.

In its results statement on Thursday, the company said this was because of "a higher content of exempt income, and the abolishment of secondary taxation on companies. The result, after eliminating non-controlling shareholders' interests, is an 89% and 120% increase in basic and headline earnings per share respectively".

Jackson said strong new car sales across the country "obviously pulled up the whole group". The National Association of Automobile Manufacturers of South Africa had growth at 11% for the period, whereas CMH grew car sales 9%.

Jackson pointed out, however, this included "parts of the market we don't play in" and that CMH had "marginally outperformed the parts of the market where we do".

Jackson said he was very satisfied with the performance of First Car rental business. In the announcement, the company said among other factors "favourable values secured for the retired fleet vehicles, has enabled the segment to report a 19% improvement in profit before taxation".

The company's parts and spares business did very well, he said. "It's a stable business, and not nearly as volatile as the others. There are so many extended service plans and warranties that it helps retain customers," he said.

Jackson said he expected "good growth for the full year," and that the market would "level off" next year. He also cited potential concerns regarding the "tricky season" of unprotected strikes, saying this was devaluing the currency, which would

"impact vehicle prices".

However, the firm was well placed to manage this. "In a way it can help us as it increases the gap between new and used cars". Jackson noted that as a result of its car hire business, CMH had access to plenty of used cars.

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