The Future of Vehicle Dealerships

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Understand the Present
In Order to Look to the Future

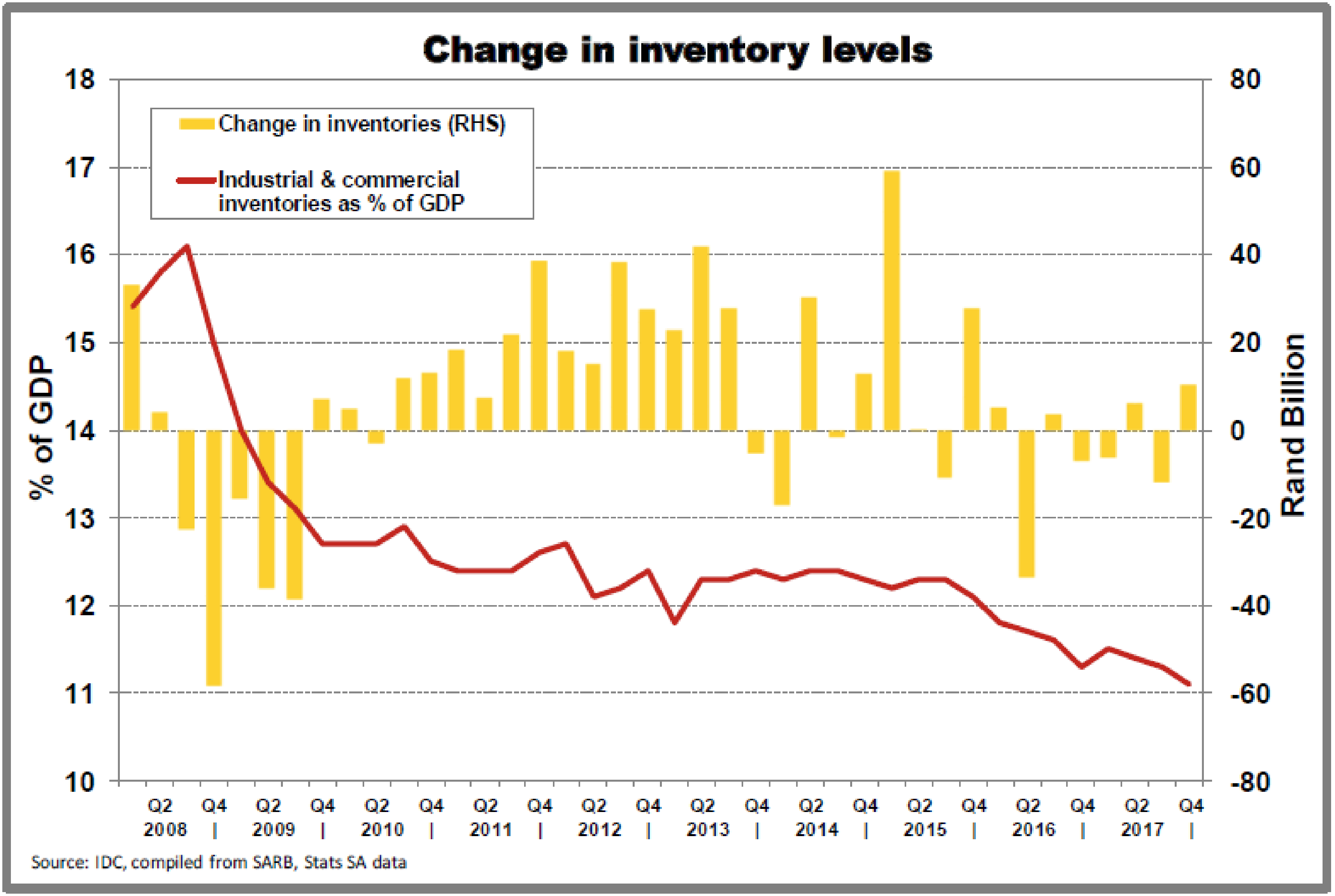
- Current economic conditions and its impact on ***Inventory Levels***

- Current ***unemployment*** and national ***skilled shortage***

- Declining National ***Truck Demand*** since 2014

- Current Commercial Dealership ***Dependence on Aftersales***
(Up to 70% of Generated Profits) – This requires UIO

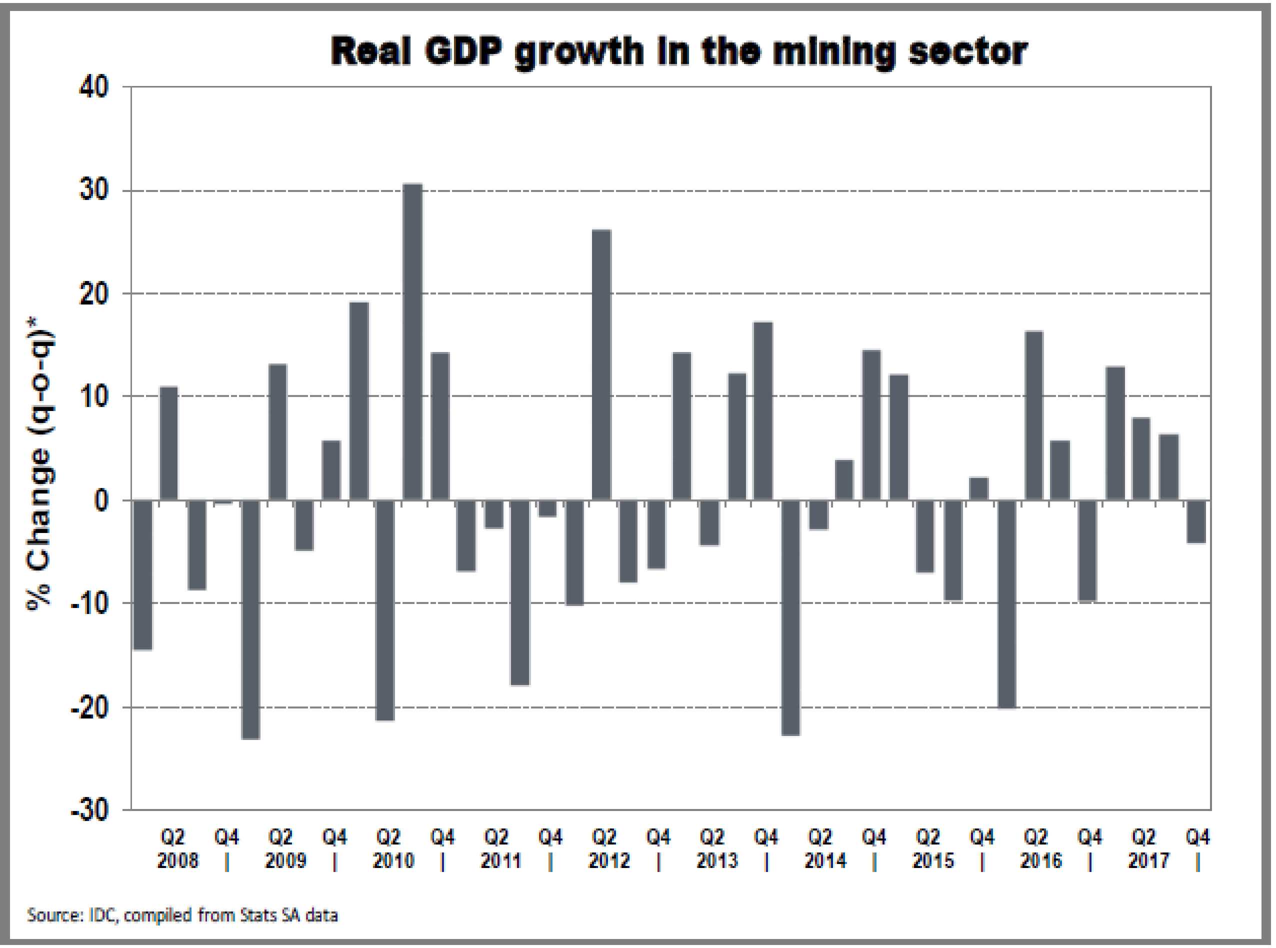
Inventory Levels and Other Economic Factors

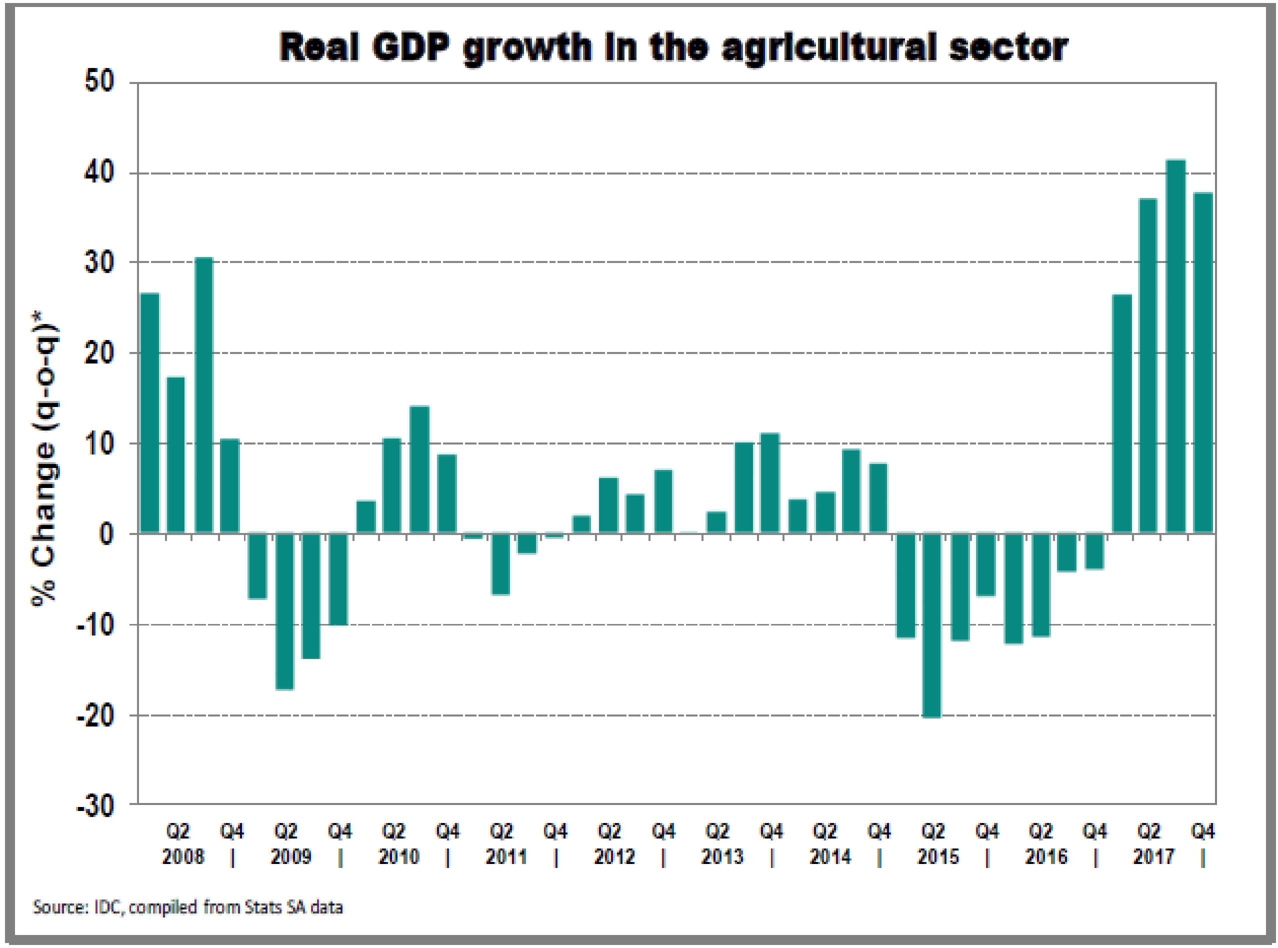


- 2017 operating environment and subdued trading conditions have resulted in ***business enterprises*** reducing inventory further

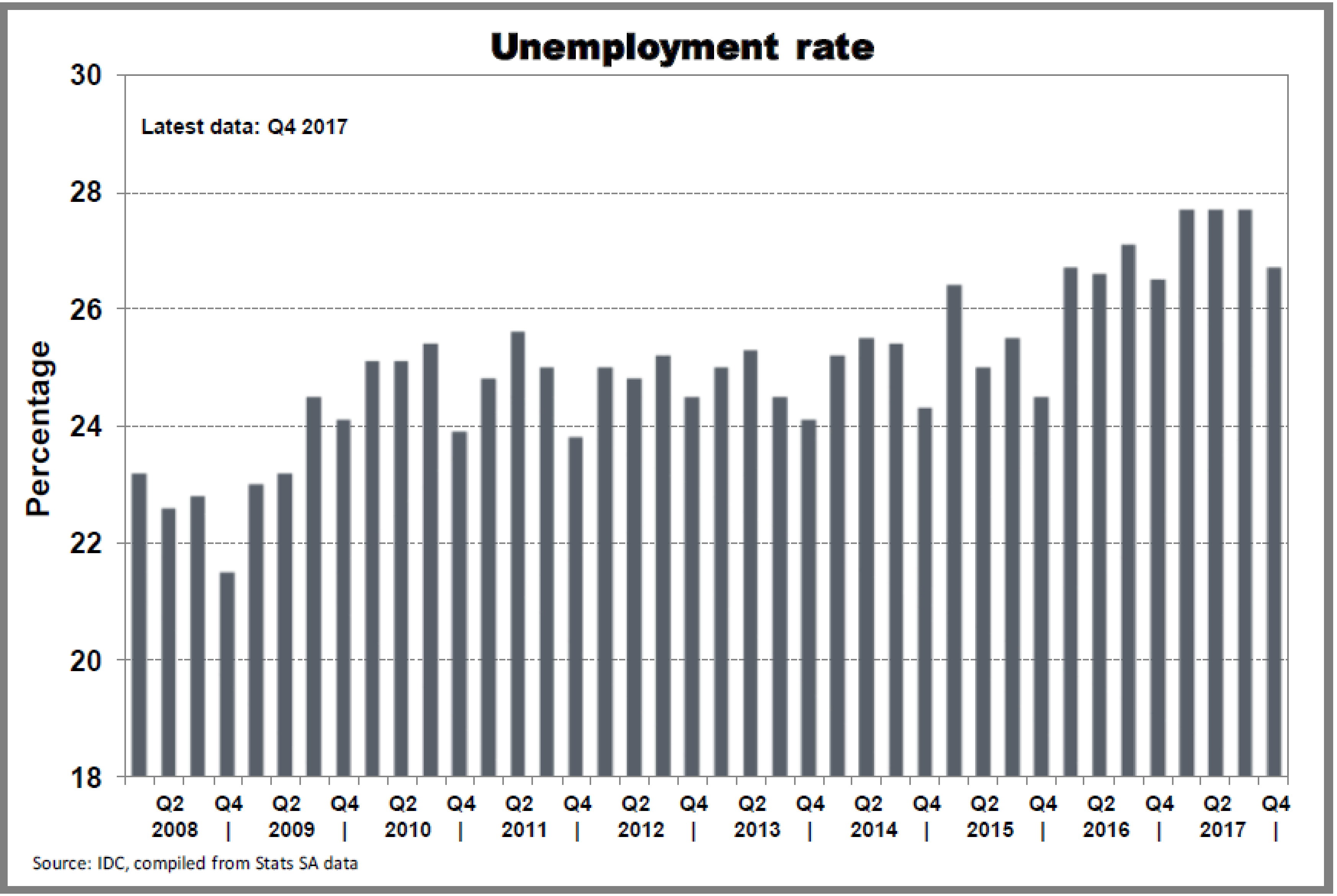
- Current Socio and Economic uncertainty will most probably drive this lower in 2018

GDP Sectors (Mining and Agriculture)



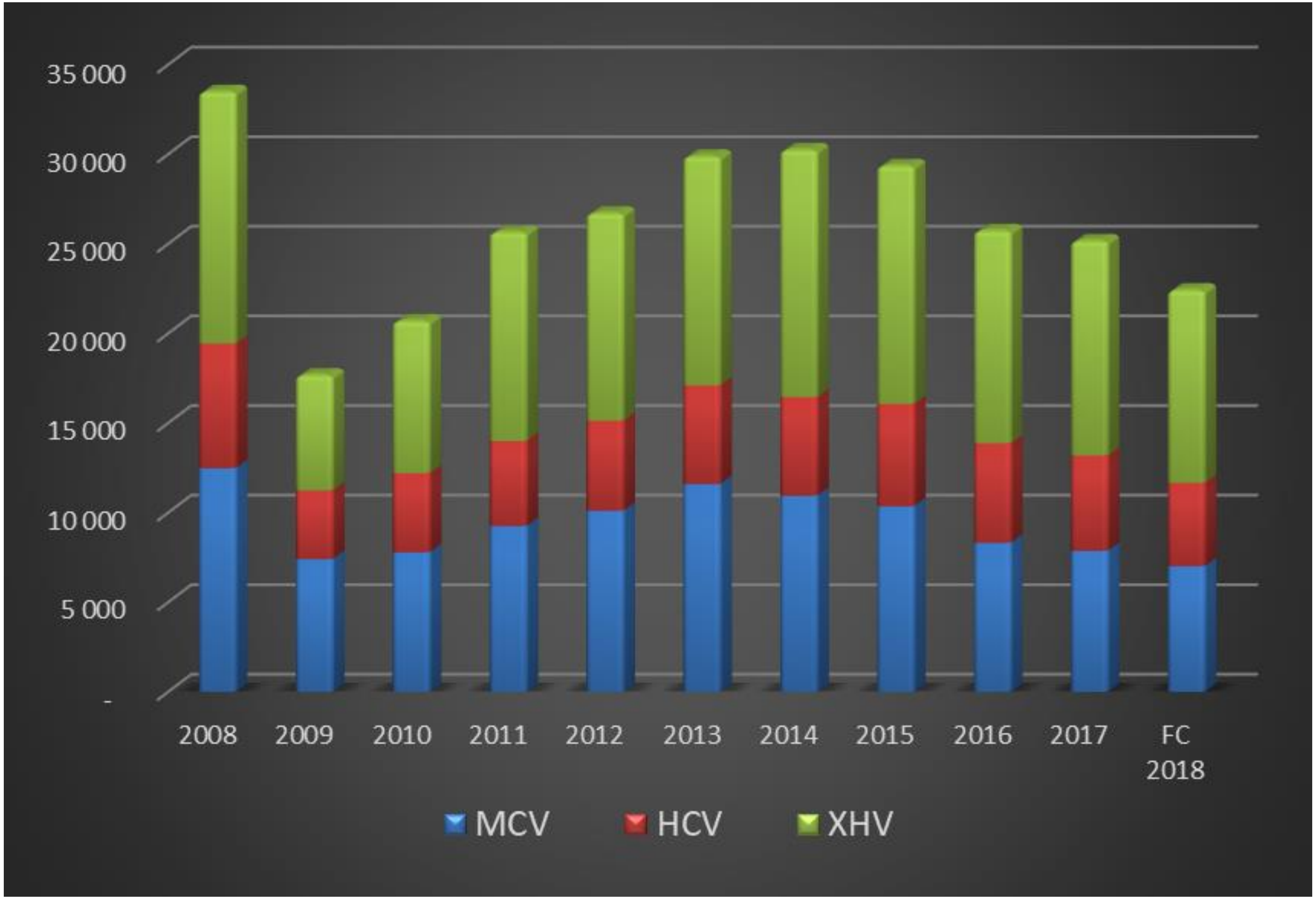


Current Unemployment



- National inability to stimulate business growth and entrepreneurship.
- Lack of opportunity also causing “brain-drain” with skills availability becoming scarcer every day.

Trucks Sales per Segment



- Continued Economic uncertainty causing decline in demand across MCV, HCV, XHV

- Declining UIO and move to less maintenance intensive vehicles will challenge current workshop model and facilities.

Aftersales Contribution to a Truck Dealership

- Up to 70% of generated profits at Truck Dealership level are from the Aftersales environment
  - Truck Sales extremely competitive – diminishing returns

- Declining demand / sales will impact on Aftersales in the medium term.

- Optimizing Efficiency and Process is core to Aftersales business to ensure we can capitalize on every opportunity as opportunity is becoming scarce

- We need to prepare for the impact the move to EV Trucks may have in the years to come in regards to our Aftersales and Dealership environments.

The Truck of the Future

- The technology improvement in the ***passenger*** segment will inevitably spill over to the ***trucking industry*** with expectations that ***15%*** of Global Truck Sales could be EV Trucks by 2030 with Light Duty Trucks reaching ***25%-35%*** in Europe and China.

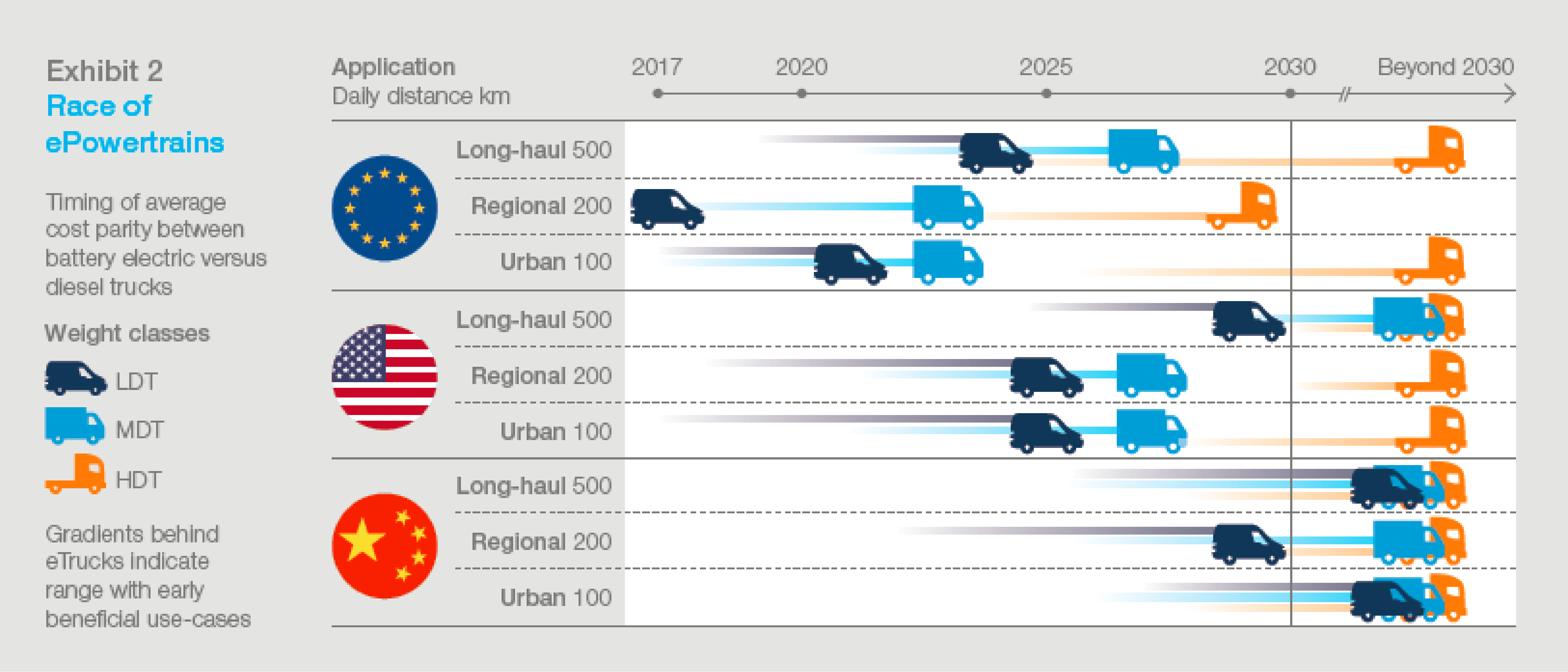
- Biggest challenge is the development of ***charging infrastructure*** for EV Trucks and this could significantly slow rollout on the ***African Continent***.

- The ***Light Duty Truck*** market will be the first segment to experience major impact due to EV development.

- Improved trucking technology could adversely impact an already challenging situation on Aftersales as maintenance and service requirements decrease

- Electric = less moving components = less component manufacturing = less maintenance = major employment impact over many industries

The Truck of the Future – potential Rollout



What is the future of Vehicle Dealerships?

- In my view we will see a decreasing number of Truck Dealerships.
  - Infrastructure Cost beyond the scope of Sustainable Income
- General availability of skilled labour will cause further surge in the cost of hiring
  - Tradesman across all industries becoming a very scarce commodity
- The change from Internal Combustion to Electric will…
  - Require less parts production
  - Less component suppliers
  - Less Lubricants
  - Smaller workforce to maintain
  - Smaller Infrastructure to service
  - Less vehicle derivatives

The drive for better and greener efficiency on the global stage will require less resources to supports its continued maintenance and we should prepare as such.

Short term challenges… Right to Repair

- More competition will dilute opportunity for OEM dealers
- Current OEM standards require major investment that impact return on investment and labour costing – Right to Repair workshops will enjoy greater flexibility.
- The threat exists that approved comparable quality parts (Non OEM) will also come to be part of the Right to Repair offering – this will make OEM dealers more uncompetitive.
- Franchise agreements and OEM understanding should allow us to partake in the Right to Repair offering (OEM should not force the servicing of only their brand)

ADAPT to CHANGE or get RUN OVER by IT.