Understated executive excellence at CMH

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It is our evidenced view that **Combined Motor Holdings** ("CMH") is one of the best JSE listed businesses that many people have never heard of or choose to ignore. For a business that has been listed on the JSE for 31 years with an average return on shareholders capital of over 25% (!), that CMH is not well-known is remarkable. The information is easy enough to find; just visit their website at www.cmh.co.za.

CMH is a substantial business with significant market share of the motor retail, repair, and car hire industries, with annual sales well over R10bn and over 2,000 people. However, the real reason why CMH is not well known is that its market capitalisation and free float is relatively small, and it is not part of the key performance benchmark indices. Furthermore, its shares are tightly held by long-term oriented shareholders, and daily share volumes and value traded on the exchange is low. As a result, global and local investors managing large pools of capital consider it much too small to bother with, and stockbrokers therefore will also not bother doing any research on it.

Here is a fascinating factual observation about CMH, which underscores our positive view of its proven executive track record and capability. In its financial year to February 2021, industry new car sales declined 32%, inbound tourism collapsed, and it lost 77 trading days due to the economic lockdowns closing vehicle licensing & testing departments. For most businesses in the world this would result in a *disastrous* financial year. CMH came in with a revenue *decline* of 23%, an operating profit *decline* of 17%, and a net profit *decline* of just 11%.

This is astonishing, but the cherry on top is that they remained profitable and declared a meaningful cash dividend to shareholders at the yearend.

Our work continues…

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