

The Lightstone Confidence Indicator

Motor industry preparing for long road to recovery post lockdown

Lightstone, trusted partners of the automotive industry, conducted a country wide confidence index survey to measure and track the impact of COVID-19 on the **various segments** of the South African Motor Industry.



Motor dealers



Non-production suppliers



Component and aftermarket manufacturers



Agricultural equipment and implements



Original equipment manufacturers (OEM's)



Motor body repairers (MBR's)



Banks

Key findings:

40%

believe it will take longer than a year to get back to a pre-covid position

believe it will take longer than 9 months to get back to a pre-covid position

66%

33%

of innovations involves embracing technology to conduct business online

felt cash flow was the most negatively impacted

86%

72%

were worried about paying salaries

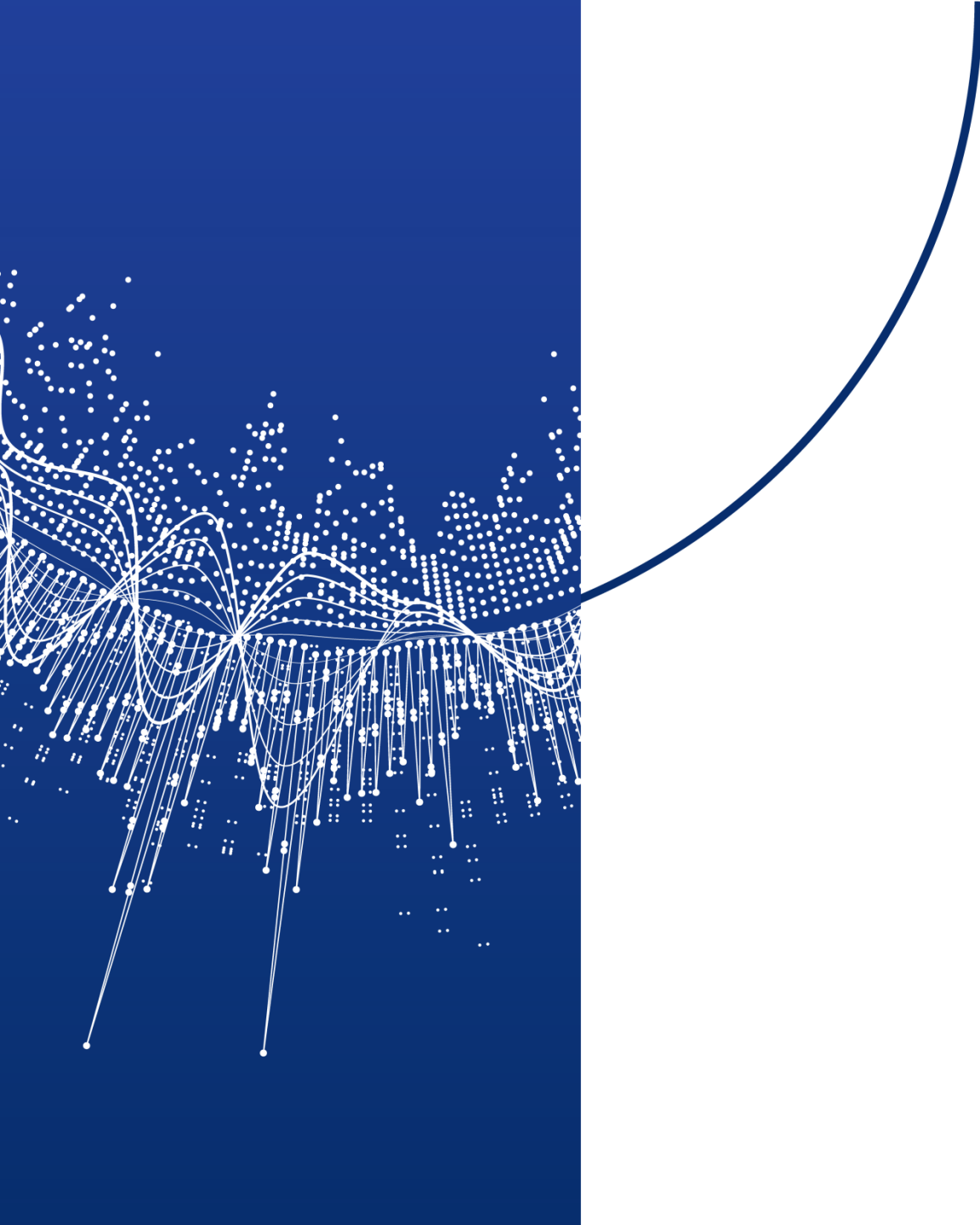
were worried about the availability of stock

52%

We aim to continue to conduct studies within the motor sector as we navigate through these uncertain times and we look forward to your participation.

Lightstone

We simplify the complex



Full results

April 2020

Lightstone

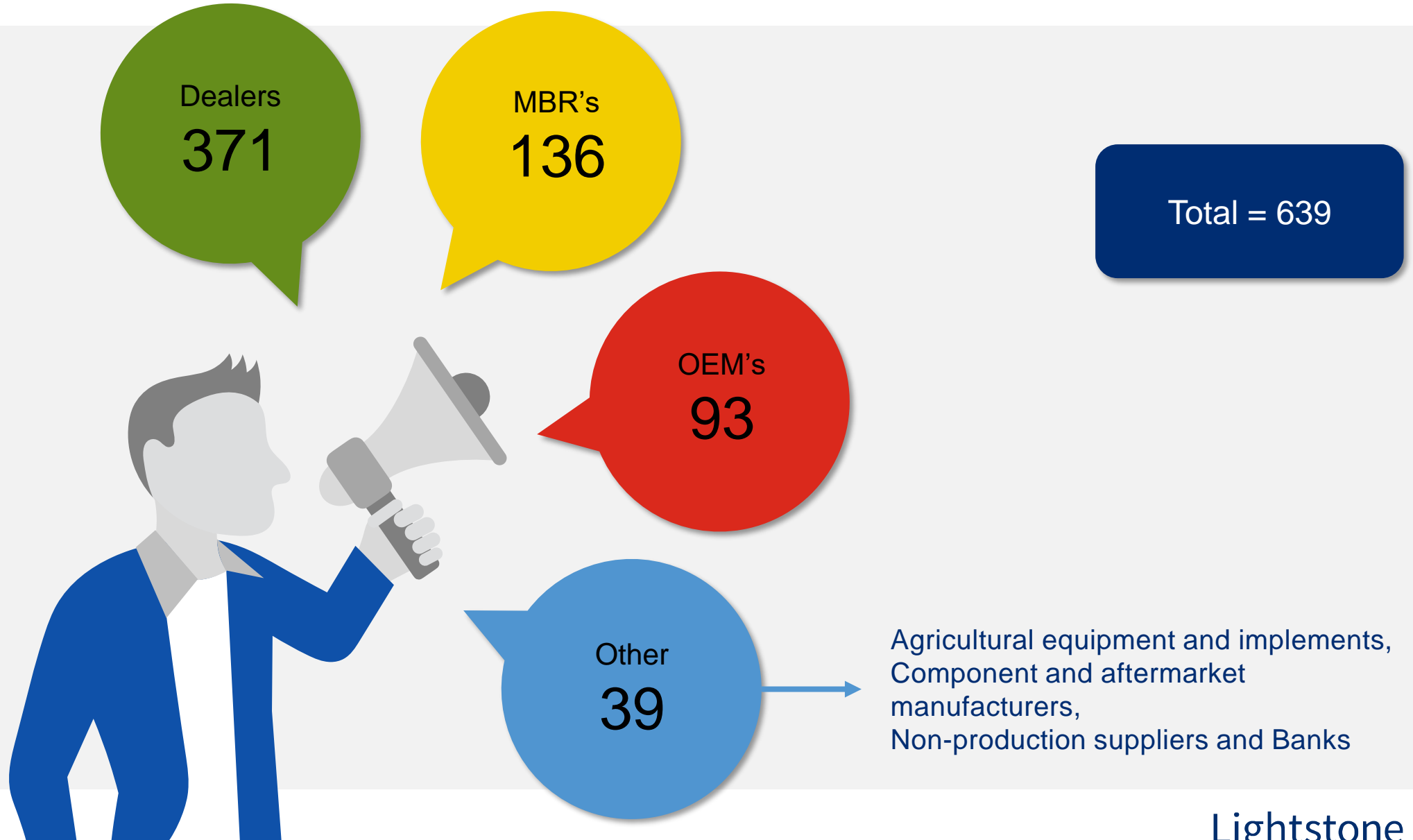
We simplify the complex

Objectives

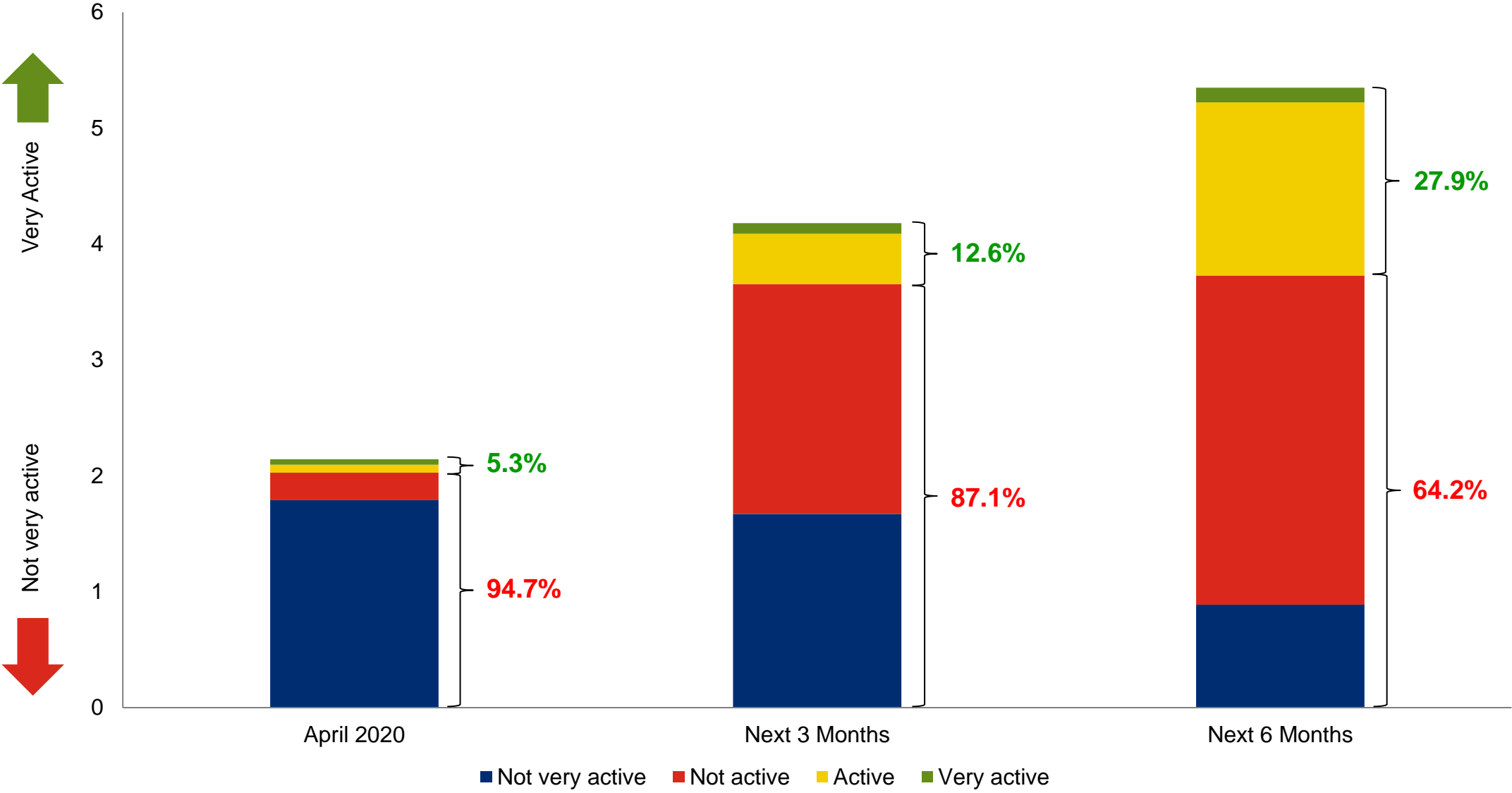
To measure and track the impact of COVID-19 on the various segments of the SA Motor Industry

- › Measure current market activity.
- › Measure expected market activity over the next 3 months.
- › Measure expected market activity over the next 6 months.
- › Identify the factors that will have the biggest effect on future activity.
- › Measure the impact of COVID-19 on:
 - Finance and liquidity
 - Workforce
 - Operations and supply chain
 - Strategy and brand
- › Measure the impact of COVID-19 on various aspects of the business.
- › Measure how monthly revenue is affected by the lockdown.
- › Measure how long it will take business to recover from the impact.
- › Identify the preparations done for the end of lockdown.
- › Identify measures taken to offer relief to consumers.
- › Identify innovations implemented to mitigate the impact of COVID-19.

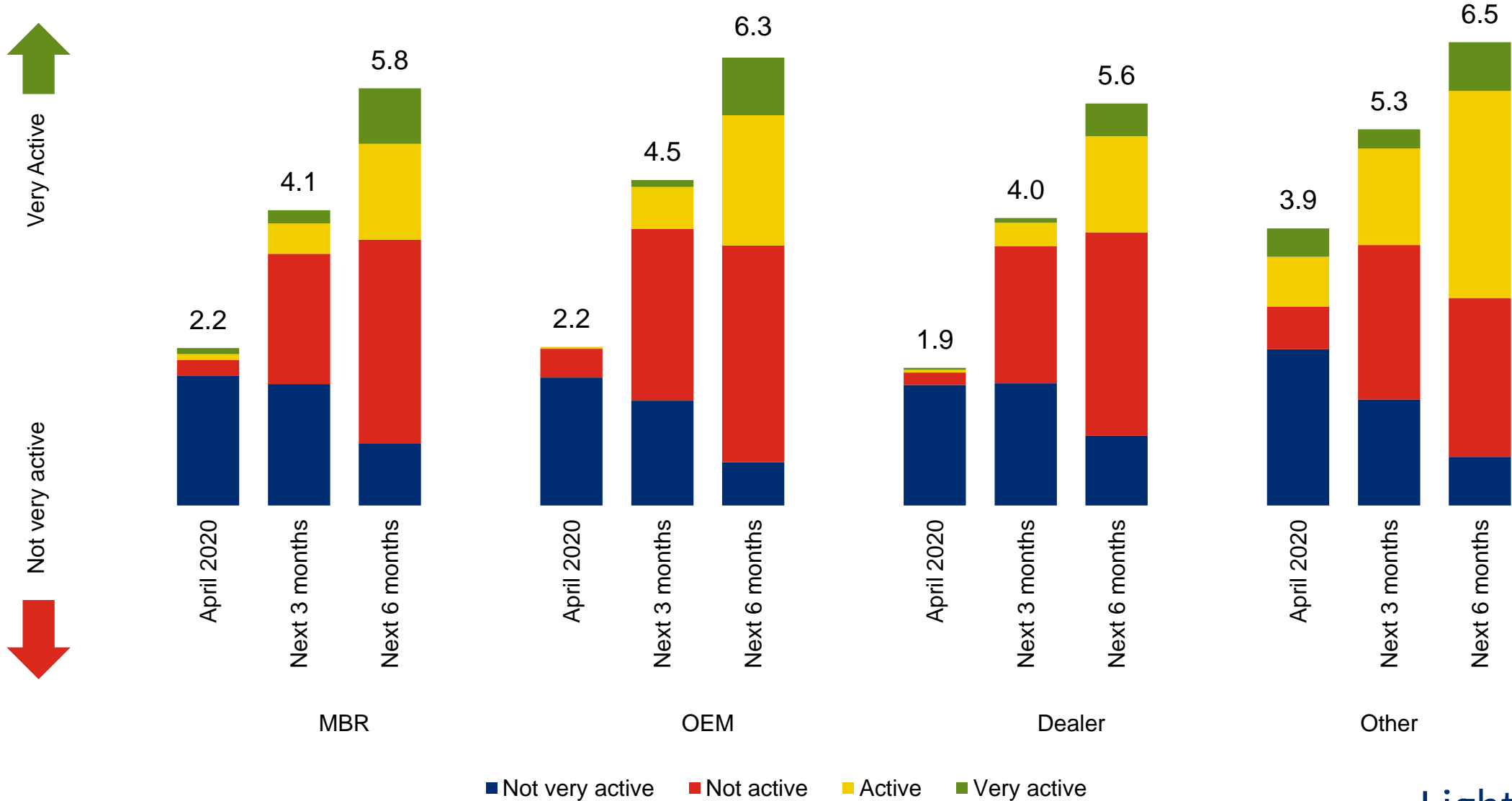
Survey respondents



Current and expected levels of market activity



Current and expected levels of market activity by segment



April 2020 level of activity: Top 5 themes and comments

01

Business is closed

- Dealer: "I'm closed completely, can not sell a vehicle remotely from home, it's impossible"
- MBR: "Everyone is closed. We are not essential services."

02

Open but little to no activity

- "We are not allowed to do any work except for essential service vehicles."
- "Had about 3 phone calls in 25 days."
- "Everyone staying at home not working nor driving changes the rate of accidents, this effects the company because no or very little activity is taking place."

03

Finance applications significantly decreased

- "Done 2 apps in the past month where I usually do 20 contracts a month."
- "Very little applications, the applications we get is not very 'good' applications. A lot of people with bad debt is applying for finance".
- "Clients are uncertain and those wanting to purchase cars have been asking to be contacted after lockdown due to the uncertainty."

04

Customer uncertainty, not willing to commit

- "Clients are hesitant to buy now as their future income is in doubt"
- "Only one Finance application has been received since lockdown, clients are uncertain and those wanting to purchase cars have been asking to be contacted after lockdown due to the uncertainty."

05

Cannot conclude sales transactions

- "Enquiry levels are fair considering the circumstances, but no conversion as deals cannot be concluded"
- "we are limited to processing applications only; validations and conclusion of transactions is not possible currently."
- "Online platforms are not as busy as normal, cannot deliver vehicles on approved deals. No customer interaction, e.g. demonstrations etc."

3 months level of activity: Top 5 themes and comments

01	<p>Vehicles not priority, people will look at personal needs first</p> <ul style="list-style-type: none">• "People have no money for repairs and some have cancelled their insurance."• "People will be over indebted; Vehicle will become a luxury; Disposable income will be in a minus who will afford to buy."• "Because buying new vehicles will probably not be a priority to most of the population since the little money they receive during lockdown will go towards food and survival."
02	<p>Depends on lockdown level implemented</p> <ul style="list-style-type: none">• "As long as the lockdown is in play, the volumes of vehicles on the roads will be minimal and thus our products will not be in high demand."• "Unless the motor dealerships are opened, limited sales can take place impacting the earning capacity of the business. We await further lockdown guidance."
03	<p>Customer uncertainty, not willing to commit</p> <ul style="list-style-type: none">• "Clients are going to be very uncertain when going back to work as to how the income is affected, this is going to push back clients to commit to purchasing vehicles as disposable income and catching up on payments they could not make"• "Once lockdown is over, the activity at all dealerships will definitely increase, but I am certain that due to the current economic climate caused by COVID19, a number of customers will either no longer be in a position to afford to purchase a new vehicle or be somewhat skeptical and hesitant to commit to a large expense such as a vehicle purchase. "
04	<p>Gradual increase in activity</p> <ul style="list-style-type: none">• "I think as soon as the lockdown has ended and everyone goes back to work and all the sectors start operating as they have prior to Covid19 and with the interest rate as low as it is - People will start buying vehicles again soon but not immediately though. It will be a systematical incline in business."
05	<p>Economy needs time to recover</p> <ul style="list-style-type: none">• "Clients will be afraid to do vehicle finance as the economy is in a mess"• "I think it will be just a little better, but not much difference as the economy is uncertain at the moment and not much promising in the future."

6 months level of activity: Top 5 themes and comments

01

Slow / gradual pick up of market activity

- "Should things stabilize, I believe the market will improve slightly, but I doubt it will get to the levels we were used to."
- "Most of the activity will still be on the auctions side and second hand vehicles with new vehicle sales slowly recovering
- It will improve slowly. Vehicles are expensive so people will be slow to make such big decisions again.

02

Market will return to normal

- "Within the next six months, the activity level within the market should be as per normal before the lockdown occurred. (This is on the basis that the disease does not spread much more and the lockdown has been completely lifted). "
- "Hopefully lockdown will be over and people who don't have the funds now to pay the excess should be able to recover by then. Things should normalise by then."

03

Economy will take time to recover

- "Hopefully we should gradually pick up but due to the financial constraints to the economy to the country could leave a big hole and will take time to heal.
- "Economy has to recover before we can expect a rise in realized sales "Clients are uncertain and those wanting to purchase cars have been asking to be contacted after lockdown due to the uncertainty."

04

Vehicles are not priority; customers will look at personal needs first

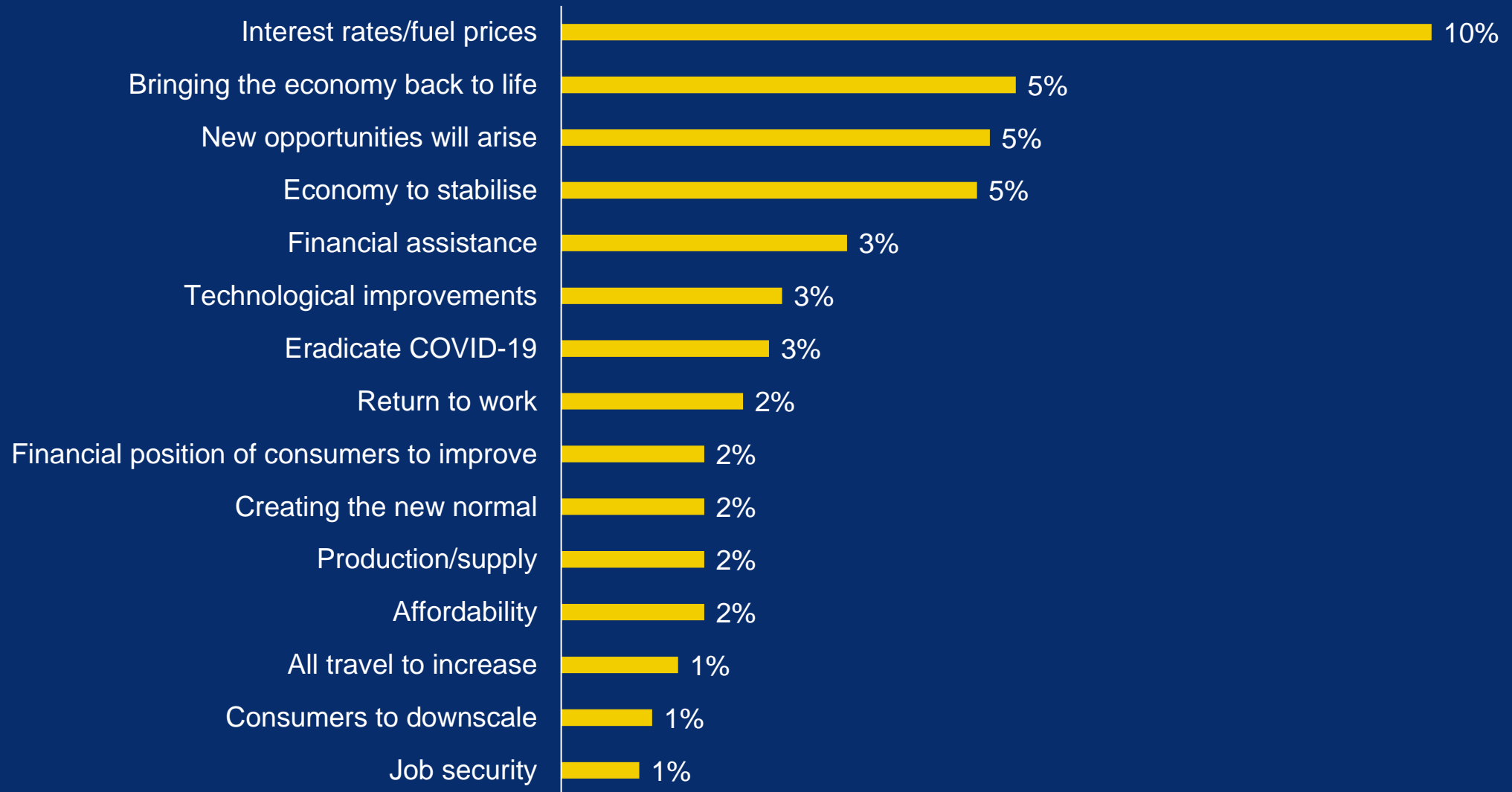
- "People may resume their lives cautiously, vehicles will still be considered a luxury not necessarily a necessity"
- "If we do come out of winter in better shape(virus wise), the lack of income and raised debt levels will have a severe impact on disposable. "
- "It will take time for people to recover financially. I see clients raising money on existing vehicle finance i.e. refinance vehicles to get cash."

05

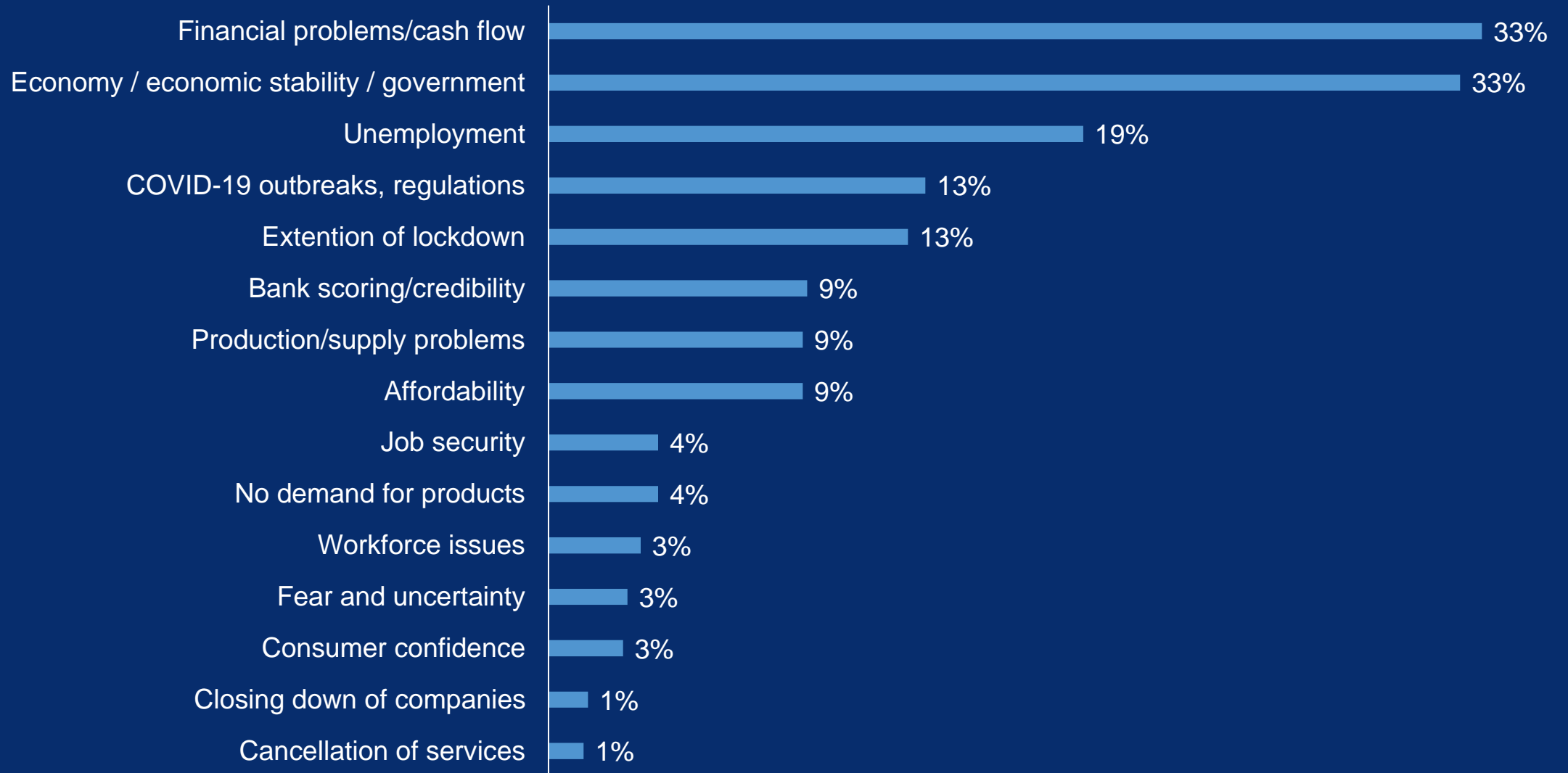
Unsure, too much uncertainty

- "I can't actually say what will happen, many ppl will loose jobs, only time will tell and heal"
- "What will happen in 6 months time, is difficult to predict. The economy is bad and have a huge impact on our business. Our industry was classified under Level 2 and this is BAD news for our industry."

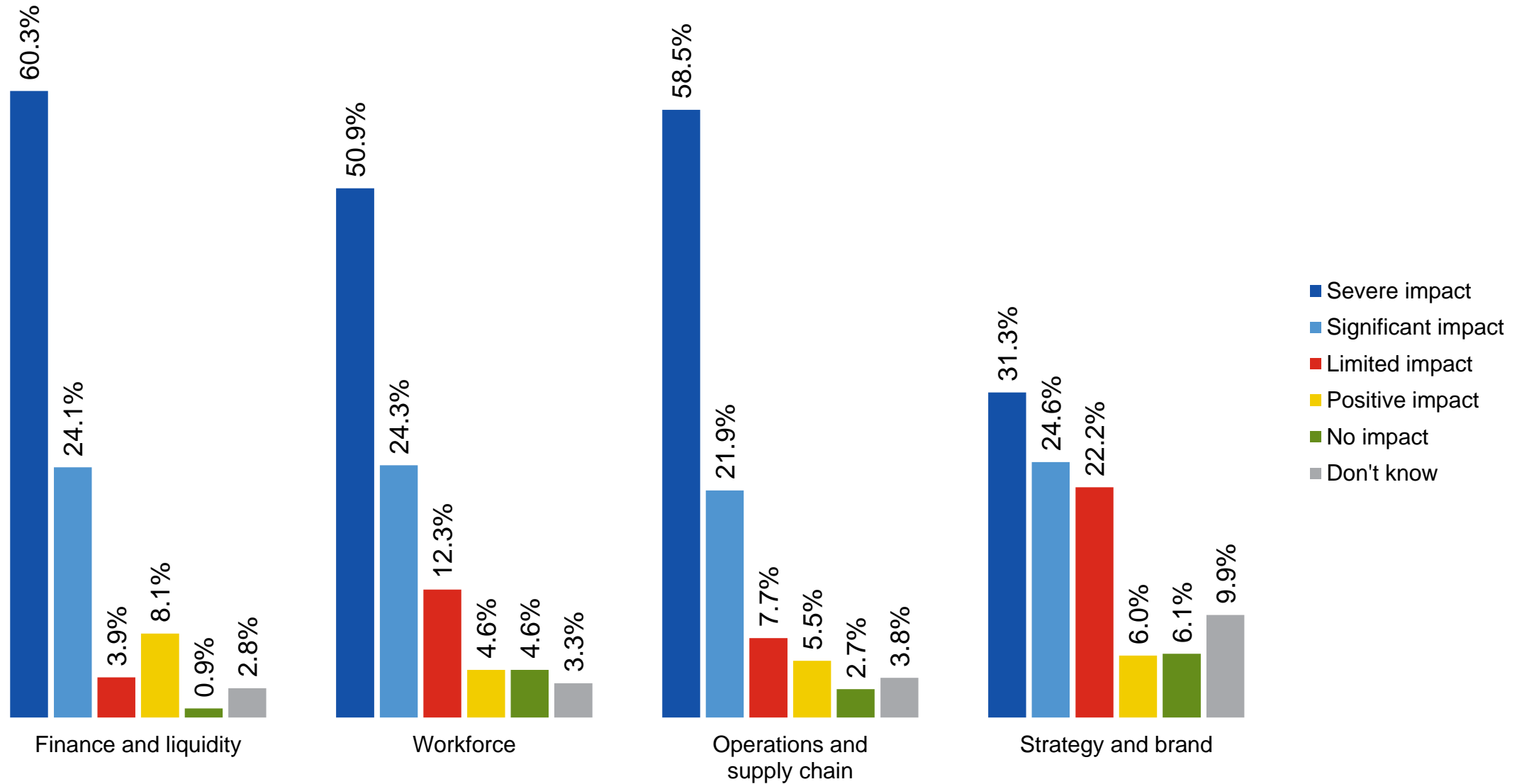
Positive factors anticipated to have the biggest effect on future activity



Negative factors anticipated to have the biggest effect on future activity



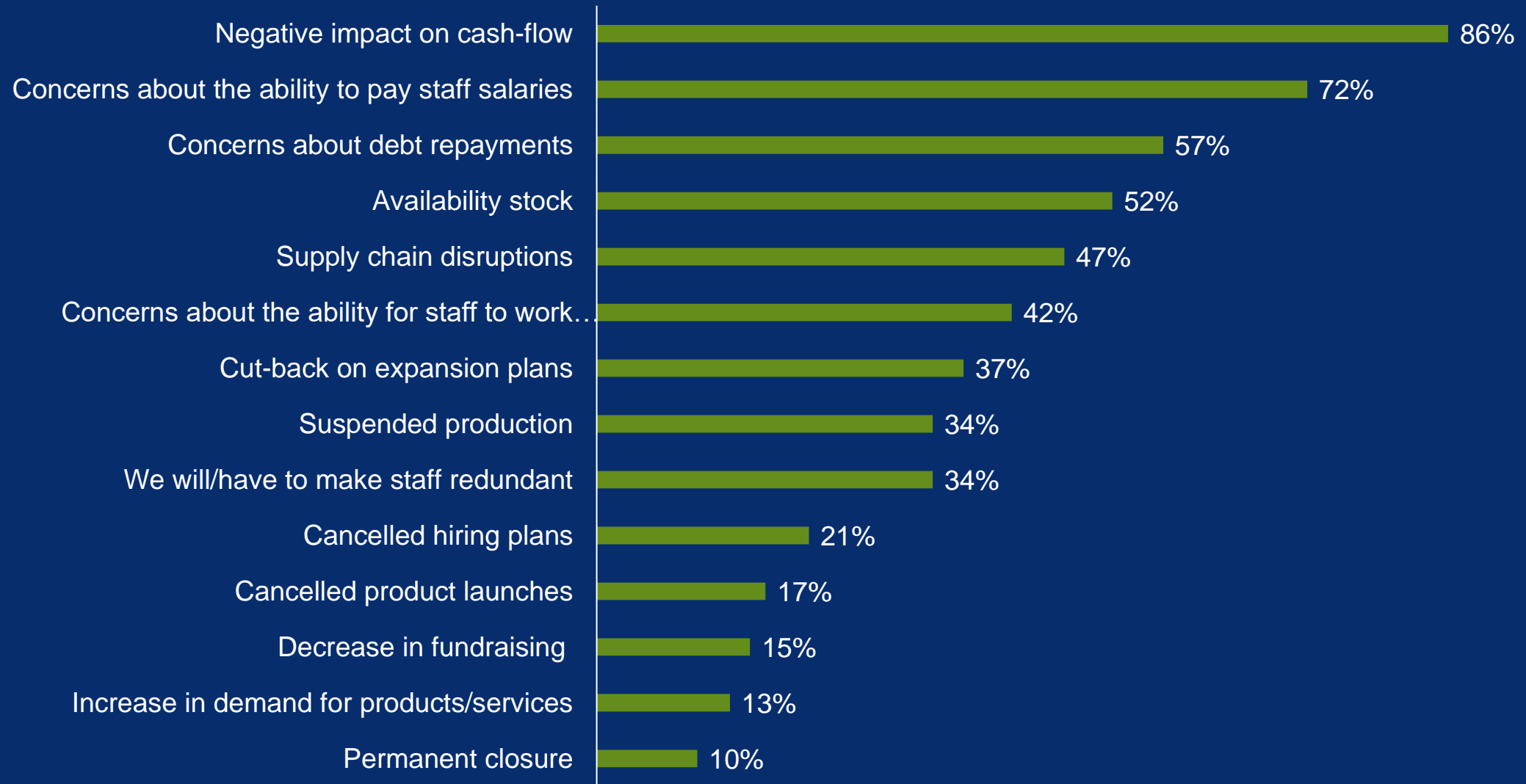
Level of impact on areas within the business



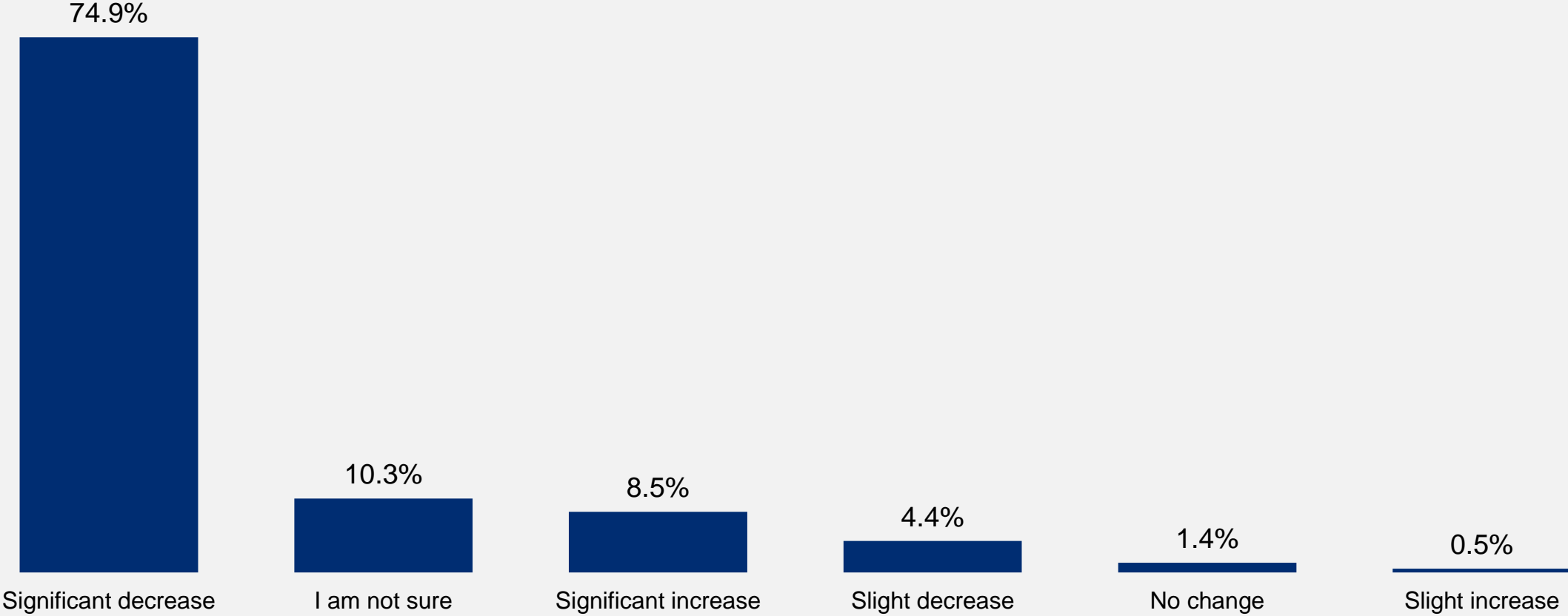
Level of impact by segment



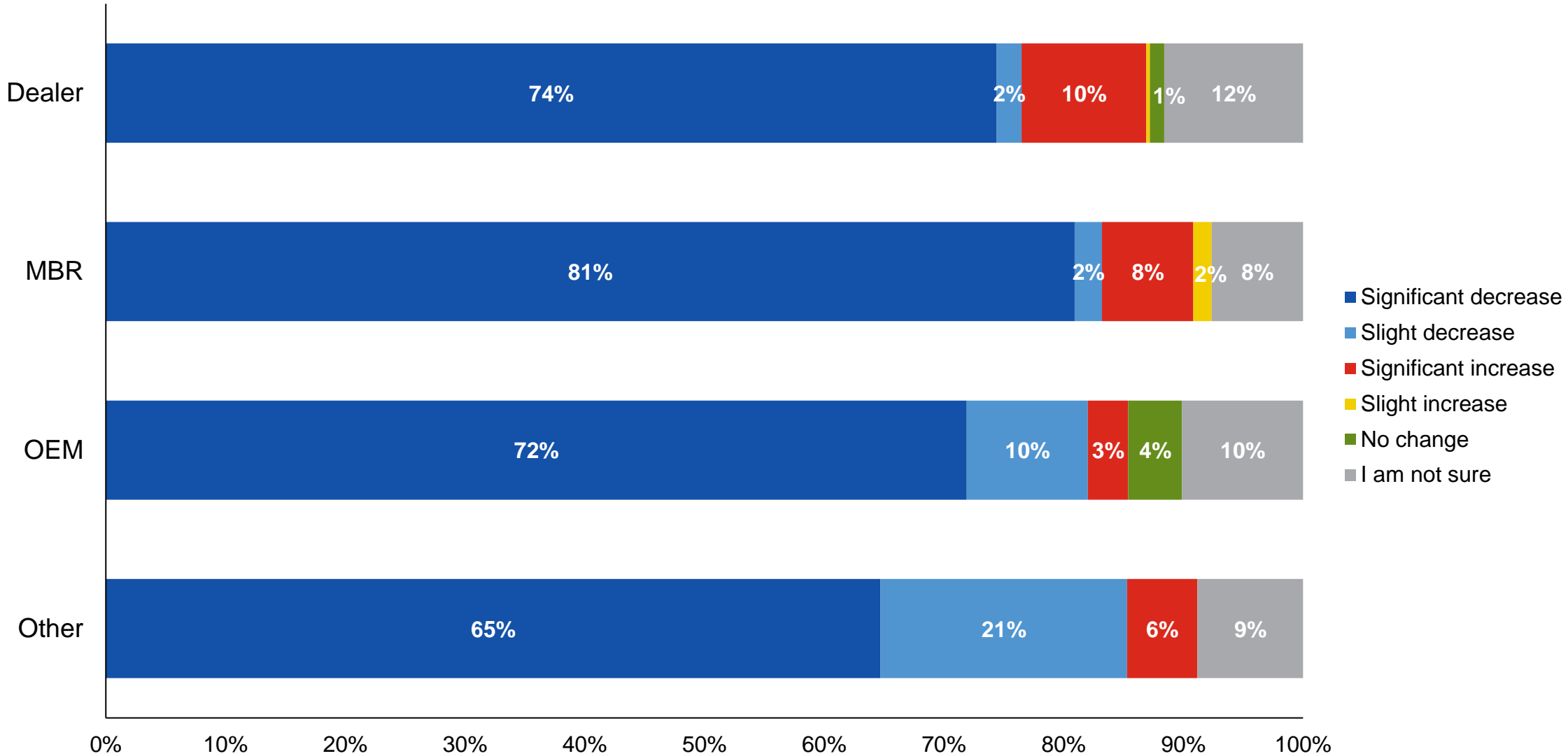
The following business areas are listed as being impacted most by COVID-19



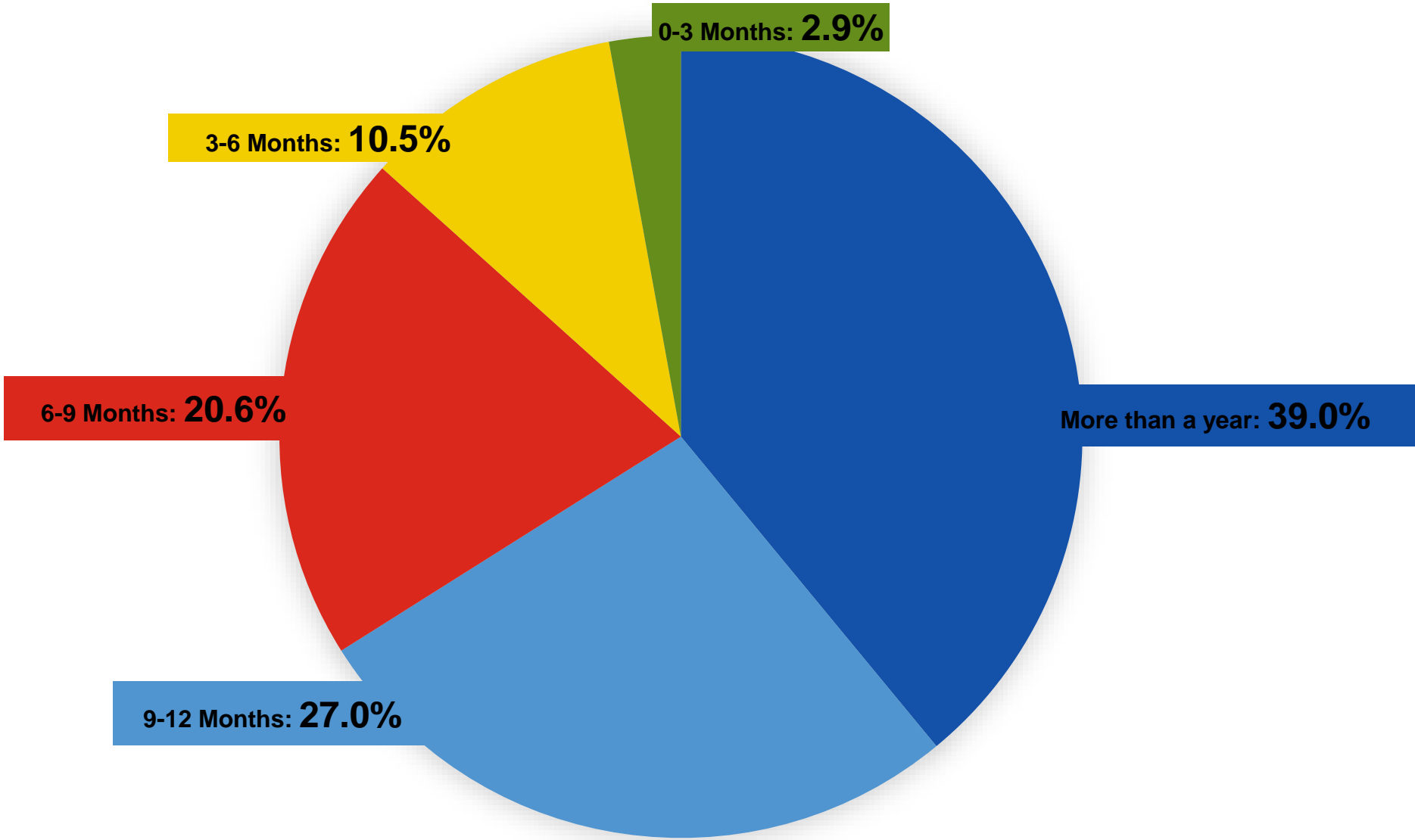
Impact of the lockdown on monthly revenue



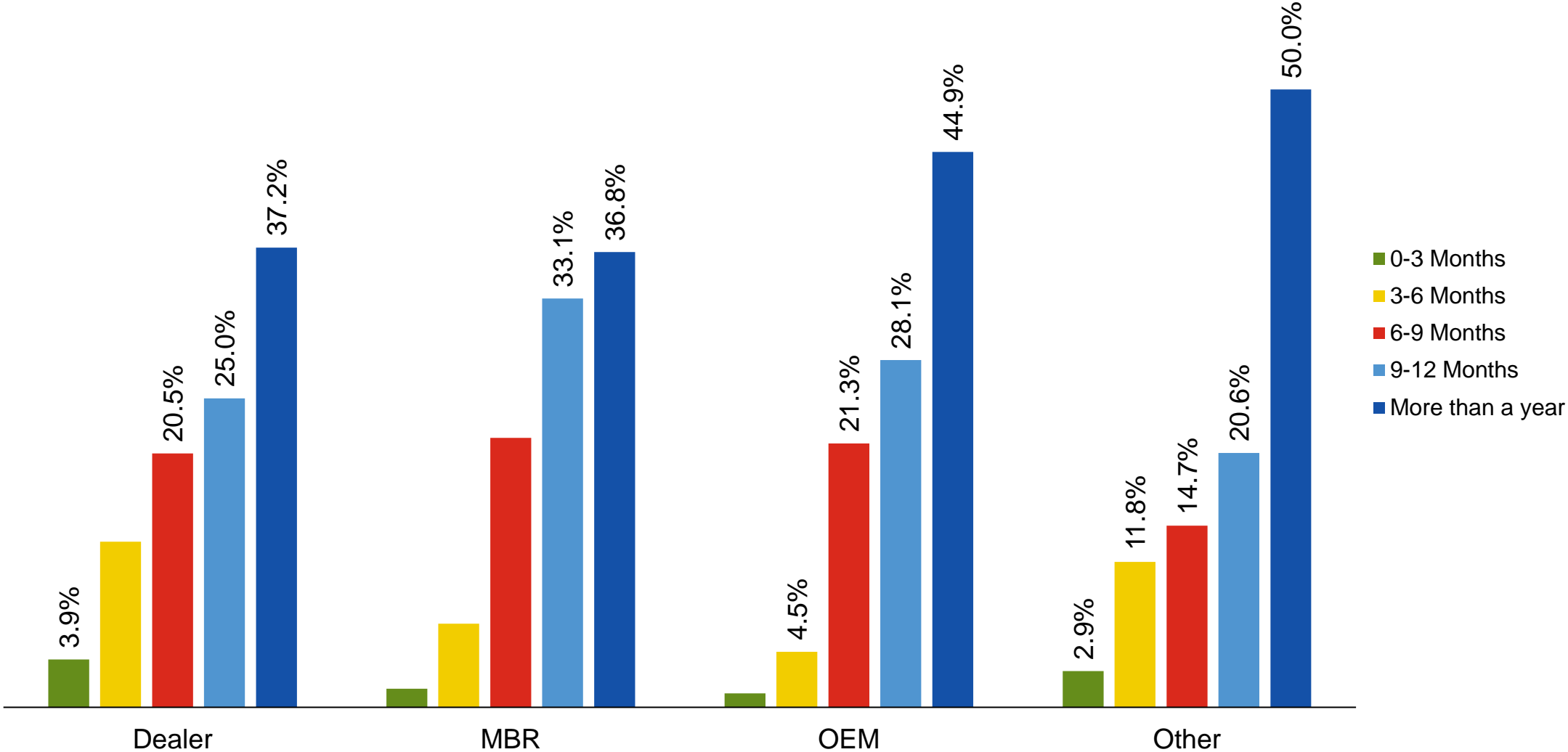
Impact of the lockdown on monthly revenue, by segment



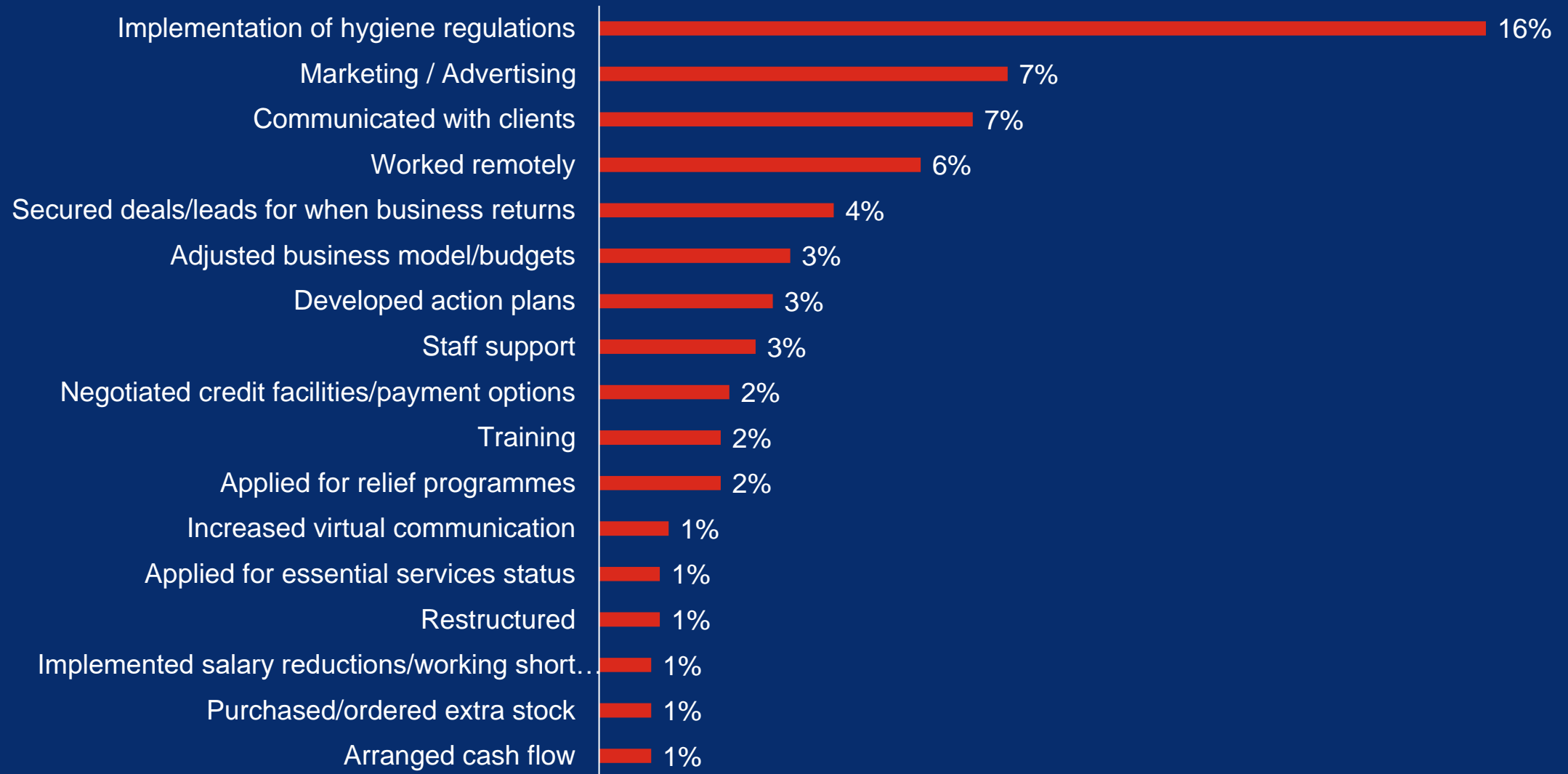
Time needed by business to recover from the impact of COVID-19



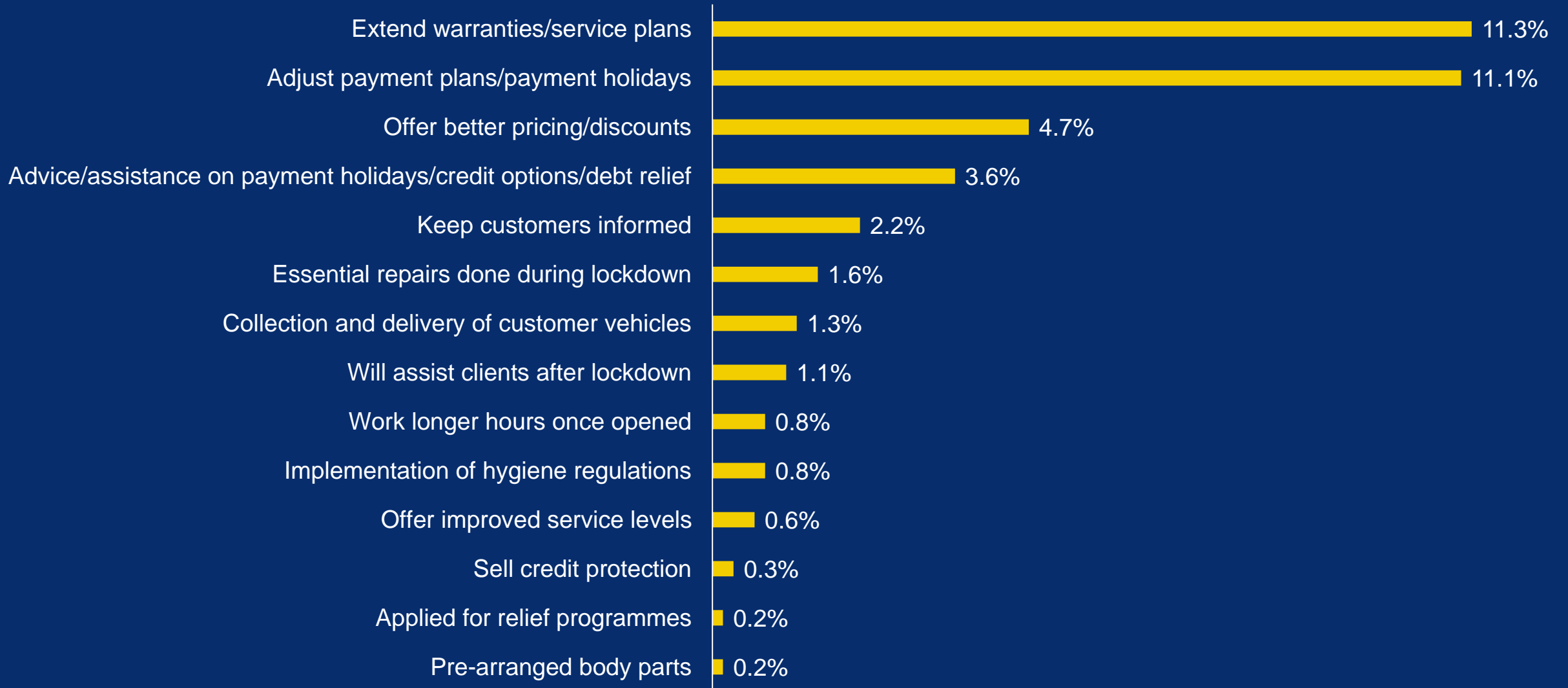
Time needed by business to recover from the impact of COVID-19, by segment



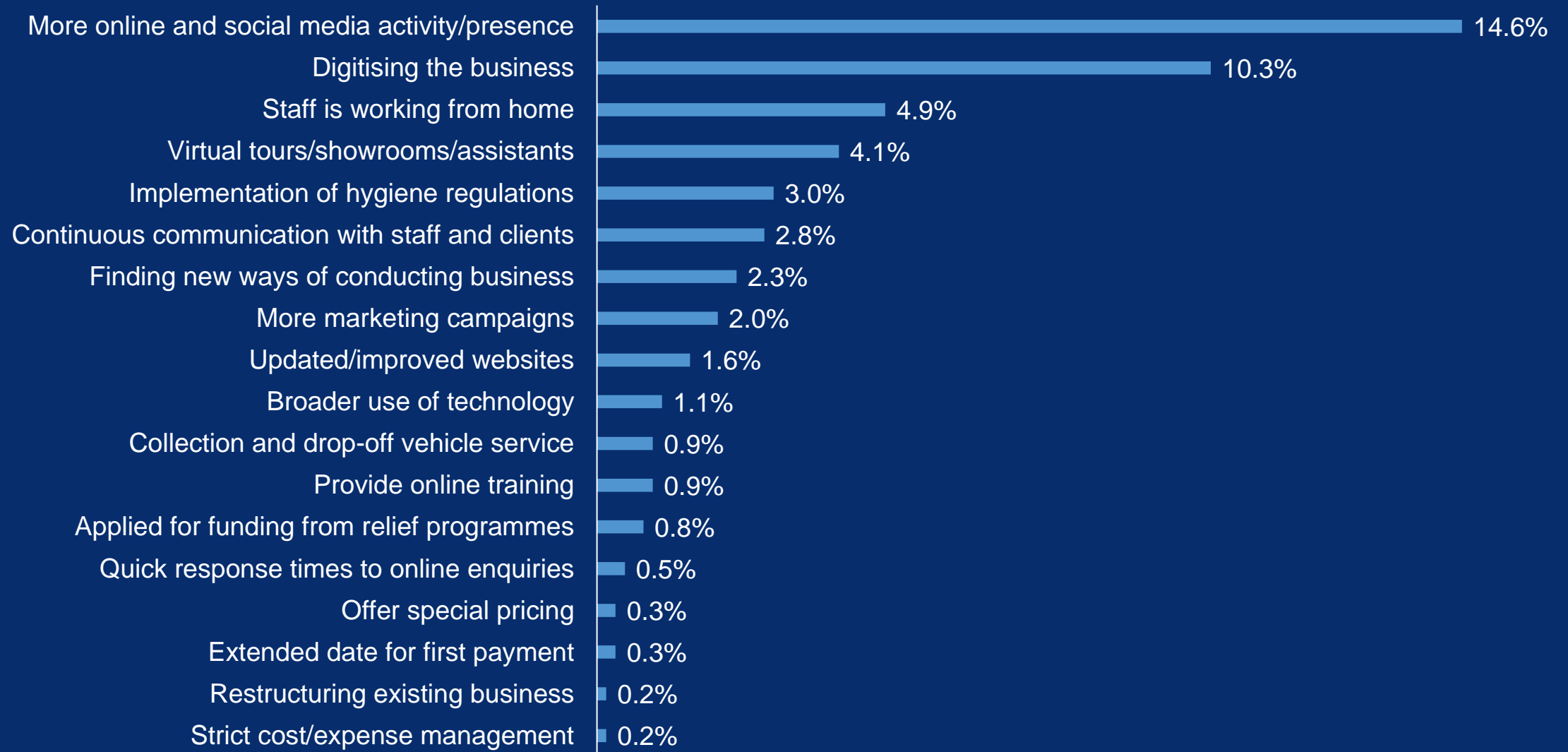
What have you done in preparation for your business at the end of lockdown?



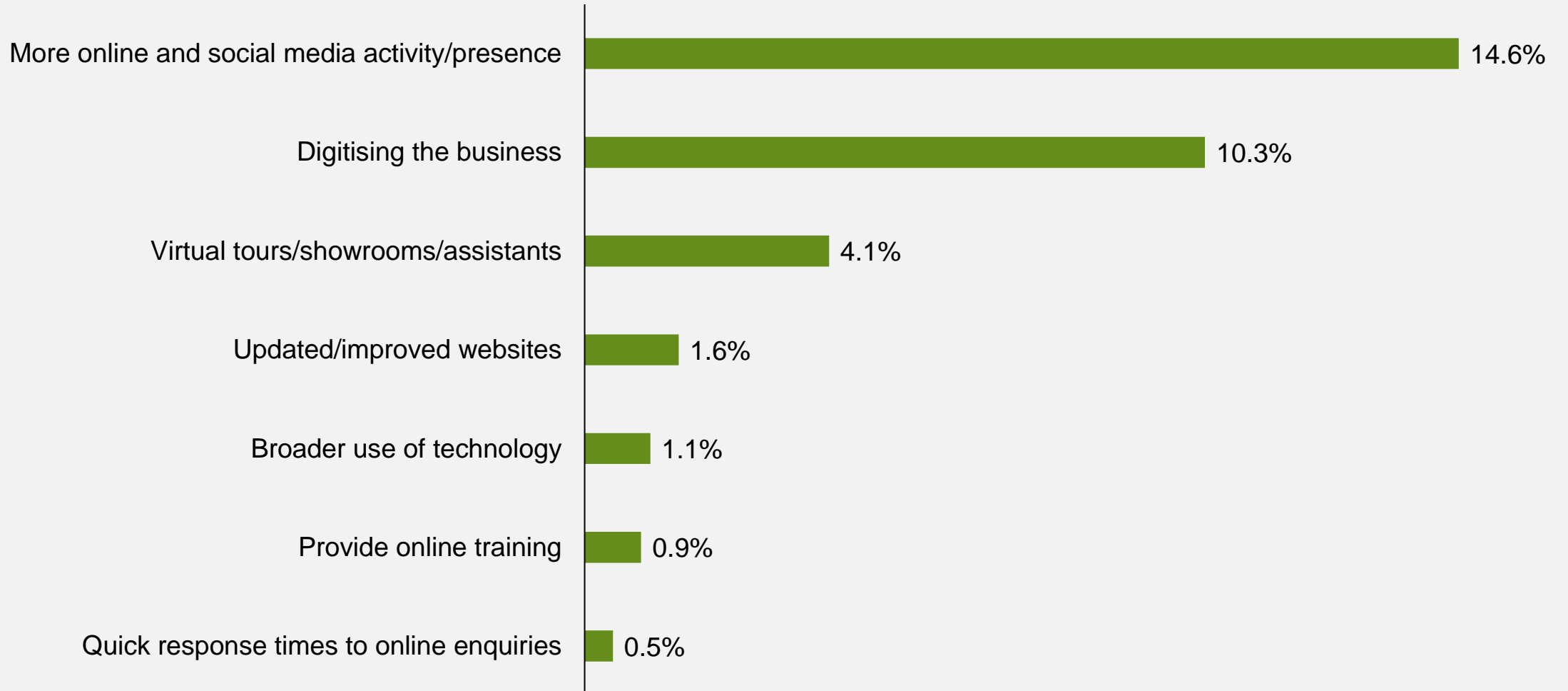
What measures have you taken to offer relief to consumers?



What innovations have you implemented to mitigate the impact of COVID-19?



33% of innovations involves embracing technology to conduct business online



Thank you

Contact us if you have any questions



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