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PORTFOLIOPUNTS

COMBINED MOTOR HOLDINGS

Recovering to popular investment status

THE FINANCIAL results for the six months to 30 August that Combined Motor Holdings (CMH) will be announcing early in October could just be the first indication business in the motor retail world is slowly starting to lift its head.

Alert investors and speculators think so, and not for nothing has the price of this specialist motor retailer already doubled – from 350c at year-end 2008 to the current 700c/share.

And it looks as if there may be more good news on the way for investors.

In its latest financial year CMH's retail division contributed 92% of turnover. Vehicle rental and marine and leisure each brought in 4%. Contributions to turnover by financing and other business were negligible. In the past, the group's return on equity was always around 25% to 30%.

For the financial year to 28 February its profit shrank by 75% to just 25c/share. Its return on capital – the extremely important yardstick for the quality of management – fell sharply to almost -6% for the year. However, management kept its eye on cash flow and cash reserves, opting not to declare a dividend.

CMH currently finds itself in the favourable position where even a small improvement in vehicle retail sales can have a major impact on its profit.

Not much of that can yet be seen, but the general stabilisation in ordinary retail sales and the substantially lower interest rates do seem to show vehicle sales will start picking up by, at the very latest, early 2010.

If that happens, CMH's price could easily double again, from 700c to 1400c/share, bringing it closer to the price it was trading at in the good days of 2007/2008.

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