



# 2022 IN REVIEW

A summary of the AA's Integrated Annual Report  
for the year ended 31 December 2022



## The AA continues to drive value creation for a variety of stakeholders

**We aim to be the trusted brand** on all things related to road users in and outside South Africa by working to empower road users in any way we can

At the forefront of championing **consumer rights** and being a **consumer advocate**

Vocal in expressing concerns with **Blue Light Brigades**, **e-tolls**, and rising tyre prices

**Continues to plan** and provide products and services designed to be future proof

Mechanisms has been developed to **achieve contact with the youth market**

**The AA called on President Ramaphosa** to make a strong appointment to the position of Minister of Transport

Acquired a 30% interest in **Limitless Virtual Security (CASi)** supporting the drive towards personal safety

The Association hosted a technology fair, **in association with the FIA**

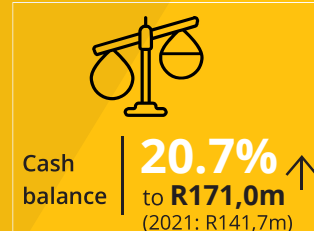
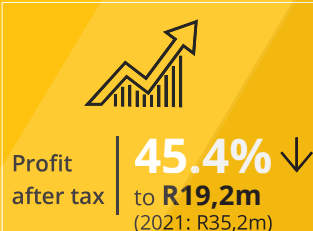
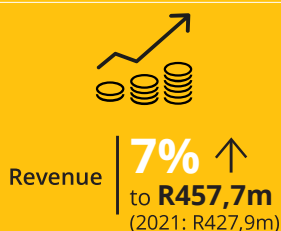
We want to urge companies to make conscious decisions about promoting road safety through the use of our products, as a solution that enables more **effective ESG**

This "new" Association will not only speak to vehicles, but also to the South African nation at large, as well as open diversified channels into international **markets via digital platforms**

**#SaferCarsForAfrica programme** – government to improve driving licence procedures and times for motorists, and our continued opposition to the Gautrain extensions

Drive conscious consumerism **through ESG**

## 2022 Financial Ratios



## Strategic objectives and measurement

The AA has always played a significant advocacy role, with various initiatives, being undertaken to further the cause of motorists and commuters. The Association's affiliation with the FIA creates a significant opportunity to promote matters such as road safety and the AA is thus superbly positioned as the voice of the South African public, on a range of topical and important mobility issues.

### THE STRATEGIC OBJECTIVES OF THE GROUP ARE:



**Grow member and customer client base through innovative products,** *increase the number of touchpoints through personalised products.* The introduction of the Armed Response offering, including panic devices (Rem-i) was a primary focus area in 2022 to ensure the personal safety of our members and clients.



**Keep AA brand top of mind,** *constantly delivering on brand values. Serve as the Advocate for the South African Motorist and Traveller, through ongoing liaison with government and other bodies to improve the motoring experience generally.*



**Be at the frontier of digital aggregation through platforms,** *create digital platforms through which members and consumers are provided access to services e.g., security, connected car.*



**Enhance the mobility ecosystem** *through diverse product and service offerings. The expansion of the Auto Centre network will provide vehicle owners with expert service and technical advice they can trust.*



**Create a performance culture** *through an enabling environment that engages and empowers our people to perform at their best.*



**Be a socially responsible and responsive organisation** underpinned by integrity, transparency and accountability.

Funding is a key requirement for the promotion and furthering of its advocacy objectives, which the AA derives from commercial activities aligned to the below listed strategic pillars:

1. **Roadside Assistance** – the traditionally recognised AA service, comprising roadside assistance including vehicle towing, roadside repair, extended benefits e.g. car hire, hotel accommodation, etc.
2. **Financial services** – currently offering insurance and warranties, death benefits, funeral cover and related offerings.
3. **Auto Centre network** – providing mobility solutions to motorists, including vehicle servicing, repairs, pre-sales inspections and checks, etc.
4. **Emergency services** – offering a range of technology enabled emergency services, e.g. armed response services, and to be extended into medical and other emergency services as well as lifestyle solutions.
5. **Travel** – products and services for the traveller, including IDPs, travel insurance, retail products, travel packages and advisory services, as well as peace of mind for local travellers when using the AA approved programme for accommodation needs.
6. **Technical services** – includes the provision of technical training through an accredited training college; extending the brand through an AA approved programme to vehicle related businesses e.g. auto repairers, dealerships, etc; provision of 125 point checks on vehicles, providing the consumer with an objective view on the state of a vehicle.

The achievement of strategic objectives is measured through a process where critical success factors and key performance indicators are identified, in alignment with the appropriate benchmarks. The performance management against these benchmarks were implemented during the year. In addition to this, management and the Board of Directors review the performance of the business on a quarterly basis through formal review processes.



## CEO Review

South Africa's economy contracted in the last three months of 2022, despite a rally in the third quarter of the year. The country's gross domestic product declined by 1.3% in the fourth quarter (October to December), dragged down by the finance, trade, agriculture, and manufacturing sectors. Overall, though, the country's economy grew by a meagre 2% in 2022.

The impact of the challenging economic environment was most keenly felt by consumers through higher fuel prices (which reached record highs in July), which had a knock-on effect on the prices of goods and services. Although the consumer price index (CPI) was down in December from the rate in November, it remained high at 7.2%, adding more financial pressure to already stretched household budgets. Overall, average consumer price inflation in 2022 was 6.9%, 2.4% percentage points higher than the corresponding average of 4.5% in 2021 (*Source: Stats SA, Statistical Release P0141, CPI, Jan 2023*).

Unemployment, crime, a lack of service delivery, and rising inflation remain among the most serious areas of concern for South Africans and, going into 2023, these challenges are expected to feature significantly in political rhetoric ahead of the national elections in 2024. Compounding this is continuous prevarication among senior government officials (including Cabinet Ministers) on important and serious matters such as efforts to deal more effectively with the country's electricity crisis, issues around transport (e.g., introduction of new driving licence measures, and dealing with roads infrastructure), and, most recently, actions to be taken to deal with South Africa being put on a grey-list in early 2023 by the Financial Action Task Force (FATF), which found that the

country falls short of certain international standards to combat money laundering and other serious financial crimes.

Despite these challenges, the AA was again at the forefront of championing consumer rights and being a consumer advocate. Among the initiatives undertaken during the period were a continuation of the #SaferCarsForAfrica programme, calls on government to improve driving licence procedures and times for motorists, and our continued opposition to the Gautrain extensions. The Association was also vocal in expressing concerns with Blue Light Brigades, e-tolls, and rising tyre prices.

The power of the AA brand requires marketing campaigns and activity that specifically lean towards advocacy campaigns and about joining a movement and supporting a cause. The younger demographic (our target audience) of South Africa – and, indeed, the world – care deeply about certain issues such as climate change (including reducing their carbon footprint through lower carbon emissions), driver behaviour, and road safety.

To this extent, the Association continues to plan and provide products and services designed to be future proof, but also to sell the Association as an advocacy revenue contributor where the younger cohort of customers can sign up for Membership *and* be part of a cause and movement. Through this approach, the youth contributes to the advocacy programmes of the AASA while at the same time receiving benefits such as conventional roadside assistance, armed response, and emergency medical response services in addition to other benefits associated with membership.

Mechanisms have been developed to achieve contact with the youth market – specifically that segment younger than 18 – by offering “free” armed response services either based on consent granted by a parent



or guardian, or through sign-up by a parent or guardian. This, we believe, is an excellent vehicle to feed into a new market, and into new vehicle owners.

At the end of the year, and considering developments at the ANC's national congress, the AA called on President Ramaphosa to make a strong appointment to the position of Minister of Transport. This followed the election of Mr Fikile Mbalula to the position of Secretary-General of the ANC, which precludes him continuing in the role of Transport Minister. Ms Sindisiwe Chikunga was elevated from her role as Deputy Minister of Transport to Minister of Transport.

Roadside services remain relatively saturated. This causes huge urgency in our business to diversify into affiliated and new lines of business. In addition, the Association also had to contend with substantial increases in towing rates from external vendors, driven largely by the input cost in the industry (e.g. fuel). The weighted average increases passed to the towing industry settled at around 35%. This increase will have a significant impact on the financial results of the Association from 2023 onwards.

As part of its diversification strategy, the Association acquired a 30% interest in Limitless Virtual Security (CASI), a company with the ability to provide armed response services nationally through an extensive network of contracted service providers. Members and customers can activate the service through their phone or an independent device (Rem-i). There have already been success stories e.g. a foreign national was kidnapped but managed to activate response, and was as a result rescued the next day.

During the year, the Association hosted a technology fair, in association with the FIA, in Cape Town. The purpose of the technology fair was to showcase technology that enables and promotes mobility and associated services and was an important gathering of high-level industry players, both from neighbouring clubs as well as international delegates from Clubs in Europe including Spain, The Netherlands and Switzerland.

Environmental, Social and Governance (ESG) drivers are becoming more imperative as businesses strive to make a difference in the communities and societies in which they operate. As the name suggests, ESG seeks to address various aspects of corporate interaction and is, essentially, a framework for conscious consumerism. One definition is that ESG helps businesses attract investors, build customer loyalty, improve financial performance, and business operations more sustainable.

Apart from traditional values drivers within businesses, more long-term value drivers, including ESG factors, are becoming more important for businesses to consider and implement.

The Association will use the social agenda to drive our technology business by driving awareness through, for instance, calling on multi-nationals with representation in South Africa to take social issues such as drunk driving, more seriously. We want to urge companies to make conscious decisions about promoting road safety through the use of our products, as a solution that enables more effective ESG for them, but at the same time has a massive positive impact socially.

This "new" Association will not only speak to vehicles, but also to the South African nation at large, as well as open diversified channels into international markets via digital platforms. We believe that immense opportunities exist to carve out a different future for the Association to ensure the future and sustainability of this important and highly regarded institution for the next 100 years.

**Willem Groenewald**  
*Chief Executive Officer*