



2023 in review

A summary of the AA's Integrated Annual Report
for the year ended 31 December 2023



2023 highlights

The power of the brand resides in its representation of **trust and reliability** and continues to service South Africans into its 94th year of existence.



The AA has a **diversified strategy**, focusing on consumer needs, leveraging a range of contact points such as free Armed Response and emergency services for under 18s to extend the theme of "care".

Continuation of the **#SaferCarsForAfrica** programme as well as working with the FIA Foundation and Child Safe Africa.

The AA continues to expand its ability to provide vehicle related service and repairs through a wider network of **AA Auto Centres**.

Although **roadside services** remain relatively saturated, it remains the Association's core business.

The Association continues to foster and **build international relations** via the Fédération Internationale de l'Automobile (FIA) and the Global Mobility Alliance (GMA).

The AA remains at the forefront of **championing consumer rights** and being a consumer advocate.



There has been a number of **success stories** since the acquisition of the 30% interest in Limitless Virtual Security (CASi) in 2022.



The Association will continue to **drive awareness on social issues** such as drunk driving and road crash fatalities as result of texting and driving.



The Association is still coming to terms with **material increases in towing rates** from external vendors, driven largely by the input cost in the industry (e.g. fuel).

In 2023 the AA achieved a **1 Star rating** on the ESG performance from the FIA Environmental Accreditation Programme.

2023 Financial Ratios

Revenue

↑ **8.3%**
to **R495,8m**
(2022: R457,7m)



Profit after tax

↓ **24.4%**
to **R14,5m**
(2022: R19,2m)



Cash balance

↓ **13.2%**
to **R148,4m**
(2022: R171,0m)



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 ideally 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, and

increase the number of touchpoints through personalised products. The introduction of the Armed Response offering, including panic devices (Rem-i) remains a primary focus area 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 the Association's products.



Enhance the mobility ecosystem through diverse product and service offerings. The expansion of the AA 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 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 travelers 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.



Chairman's Review

The South African GDP contracted by 0.20% in the third quarter of 2023 over the previous quarter, with the annual growth rate forecast at 0.70%. The budget deficit is estimated to be 4.90% of GDP and gross debt estimated at 77% of GDP. Unemployment remains high at 35% where youth unemployment exceeds 50%, with an estimated 79 000 less employed compared to pre-COVID-19 levels.

CPI, as a guideline for remuneration increases as well as supplier pricing evaluation purposes, levelled out at 5.5%. A pervasive and consistent rise in the South African Reserve Bank's repo rate transferred increased pressure onto the consumer, increasing household debt to disposable income to 62.1%. International trade volatility continued to place pressure on our currency fuelled by international conflicts such as Russia and Ukraine as well as Israel and Palestine. Local fuel price levels averaged at levels of around R22.76 (93), R23.14 (95) and Diesel R21.52.

South African motorists are driving their vehicles for longer. New vehicle sales range between 44 877 to 40 325 monthly and used vehicle sales are on a persistent upward trend where, for example, "We Buy Cars" deployed 15 locations nationwide, and is still expanding.

Unemployment, the energy crisis, water crises, crime, a lack of service delivery such as harbour port congestion, and municipal services failure remain among the most serious areas of concern of South Africans and, going into 2024, these challenges are expected to feature significantly in political rhetoric ahead of the national elections.

Despite these challenges, the Association remains 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 as well as working with the FIA Foundation and Child Safe Africa to implement a star rating programme for schools

(SR4S) along the International Road Assessment Programme (IRAP) implementations framework for measuring, managing and communicating the risk children are exposed to on their school journeys.

The power of the Association's brand requires marketing campaigns and activity that specifically lean towards advocacy campaigns with a high level of consumer focus whilst maintaining and promoting the interests of our corporate base. The Association promotes joining a movement and supporting a cause. In years gone by the focus was on the vehicle and mobility only. The Association realises the need to cater for a range of consumer needs, thereby shifting the focus from the vehicle only to the consumer, adopting a life stage modelling approach to reach a far wider and diverse member base. Mobility clubs globally struggle with diminishing memberships and trends dictate a digital-first approach to align with an ever-evolving market, as implemented by sister clubs such as AAA (USA) and CAA (Canada).

As an approach to reach a younger member demographic, a Lifestyle brand was initiated, leveraging a range of contact points such as free Armed Response and emergency services for under 18s, to extend the theme of "care". Wider audiences are reached through a multitude of media platforms, such as television exposure on Lifestyle productions linked to Social Media influencer campaigns, amplified Social Media presence, Web and Email campaigns as well as active call center engagement to establish ubiquitous relevant brand presence.

Although roadside services remain relatively saturated, it remains the Association's core business. A diminishing and dwindling member base necessitates the Association to diversify into adjacent and new lines of business. The Association is still coming to terms with material increases in towing rates from external vendors, driven largely by the input cost in the industry (e.g. fuel). The weighted average increases passed on by the towing industry settled at around 35%, which remains at the core of the Association's input costs. The severity of the increase measured against the Association's ability to recoup costs leaves a material financial deficit in the business.

The Association acquired a 30% interest in Limitless Virtual Security (CASI) in 2022, 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 cell phones or an independent device (Rem-i). There have been a number of success stories since the acquisition, and the digital solutions offer fits well with all diversification initiatives. The year 2023 showed slow and consistent growth and the business is geared for double digit growth into 2024.

The Association continues to foster and build international relations via the Fédération Internationale de l'Automobile (FIA) and the Global Mobility Alliance (GMA). South Africa is represented through the Region 1 Management Council (EMEA) and has a seat at the GMA. Clubs such as the AAA (USA), CAA (Canada) and AAGB form part of the GMA, with an additional 243 clubs on the FIA platform extending South Africa's reach into an extensive network of knowledge share and resources over a member base in excess of 140 million, of which the AAA comprise 66 million. The FIA is the governing body of motor sport and promotes safe, sustainable and accessible mobility for all road users across the world. This is of significant value, as it opens portals

of knowledge into aspects such as sustainability, Electric Vehicle adoption progression and safety standards in mobility.

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 make business operations more sustainable. The FIA Environmental Accreditation Programme is aimed at helping motor sport and mobility stakeholders worldwide to measure and enhance their environmental performance. By introducing a clear and consistent environmental management system, it provides stakeholders with a three-level framework against which to accredit their activities. In 2023 the AA achieved a 1 Star rating.

The Association will continue to drive awareness on social issues such as drunk driving and road crash fatalities as result of texting and driving. We want to urge companies to make conscious decisions about promoting road safety through the use of our products and services.

The Association is positioned well to service South Africa as a nation, and venture beyond our borders to provide International services through our technology platforms. The power of the brand resides in its representation of trust and reliability and continues to service South Africans into its 94th year of existence. The Automobile Association of South Africa is truly South African, belongs to South Africans and is representative of our great nation and its people.

S A H Kajee
Chairman

