



# A BRAVE NEW WORLD

MOTOR 150 REPORT 2020



IDEAS | PEOPLE | TRUST



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Motor retail is the shop floor of the UK automotive industry. This established and interdependent network of businesses has continued to be a key economic sector by employing over 860,000 people, contributing over £15 billion in value to the economy, and investing almost £4 billion in research and development.\*

With this in mind, this Motor 150 report – revealing the aggregated performance of a study group comprising the top 150 groups/ companies in the UK motor retail sector – is an important business barometer. As such, this report, which covers performance in the latest audited accounts and looks forward into the current and future accounting periods, does not specify or comment upon the individual performance of companies, except where it is relevant to explain a variance from the market norm or to highlight a fresh sector trend. Our aim in producing the Motor 150 is to provide a considered insight into recent economic events, in particular the COVID-19 pandemic, and sector activity, the current and future dynamics of motor retailing, and to offer our professional views and advice for the future.

## A WORD FROM STEVE LE BAS HEAD OF MOTOR RETAIL

Well what a year it has been. Who could have envisaged in January 2020 how the following 12 months would turn out and the way COVID-19 would affect not only our working lives, but every aspect of how we live.

Since the inception of the BDO Motor 150 report we have always looked back at the year under review, ie 2019 in this case, and provided our considered views on the outlook for the sector. Our first report began with the recession in 2008/2009, through to a strong recovery in 2010 and the subsequent years, to the start of a slowdown towards the end of the decade. However, given the seismic change in operations and the economy in 2020, for this Motor 150 Report we are looking less at what happened in 2019 and give more consideration to what the sector will look like in the future -not only the challenges that dealers will face over the next 12 months but also the potential opportunities.

2019 was a challenging year for many but there were still good levels of profit to be made if dealer groups had the right focus on their workforce, their customers and manufacturer relationships. Pre-pandemic in the very early part of 2020, BDO were forecasting a stronger trading year than 2019 and we believed this was likely to continue into 2021. The hard work that dealers had put in over the previous two to three years was about to bear fruit but that was before COVID-19 took hold towards the end of March 2020.

What we saw during and post national lockdowns 1.0 and 2.0 is that the Motor 150 group is a very innovative and resilient part of the industry and wider economy. The way dealer groups responded so quickly by embracing greater use of online channels and ensuring their staff and facilities were safe, while providing the customer with the same (and in some cases a better) level of experience is to be applauded.

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# A WORD FROM STEVE LE BAS

## CONTINUED

This resulted in record back to business trading from June 2020 with many groups' results being far in excess of the same periods in previous years. There have been significant levels of support and assistance from the manufacturers whether it be consideration of bonus targets, extending funding of vehicle stock or the reduction of the number of demonstrators that have to be run and reduced levels of pre-registrations. Banks have also reset or waived covenant testing, thus allowing dealers to focus on the return to trading and, of course, the government has provided business rates and furlough support.

At the time of writing, we are entering another national lockdown and face the likelihood that if forecast unemployment increases this will impact consumer spending, but there are also other challenges ahead. Whether it be the continued focus on and changes to FCA regulation, or the shift to electric vehicles. But there are some positive messages and light at the end of the tunnel. There is clarification over Brexit and no trade tariffs and can we expect another round of pent up demand when Lockdown 3.0 ends?

But one thing is for certain - the Motor 150 group is not only a very resilient group but also a very agile one.

So what do we expect in 2021, the top BDO predictions are:

- ▶ Further consolidation in the sector both through necessity but also some owners considering the impact of potential future changes in taxation
- ▶ Continued evolution of the sales process leading to a leaner and more efficient approach
- ▶ The electric agenda will continue to evolve but not have a significant impact in 2021
- ▶ Pent up demand leads to a strong full return to trading post Lockdown 3.0.

We have asked an industry specialist together with two dealerships from different parts of the country, to share their thoughts as to the outlook, opportunities and challenges that the sector faces. I would like to thank Professor Jim Saker, president of the IMI and director of the Centre for Automotive Management in the Business School at Loughborough University, Chris Yoxon, director, Foray Motor Group and Steven Eagell, CEO, Steven Eagell Group together with my team within BDO for their insights and contribution to this year's report.



# WILL COVID-19 DRIVE ACQUISITIONS & DISPOSALS IN 2021?

Deal activity continued in 2020 despite the continuing uncertainty surrounding COVID-19 and the underlying shifts in the sector, albeit at reduced levels. 2021 is expected to see a significant recovery in transaction volumes, as groups look to build on their strategic positioning.

The emergence of COVID-19 in the early part of 2020 has heightened the challenges being faced by operators in the automotive industry. There has been an impact on all aspects of the industry, from manufacturing, to the supply chain and the ability to operate showrooms during periods of national lockdown. In the period between lockdowns many businesses enjoyed significant retail sales which was predominantly due to pent up demand. Looking forward to a post COVID-19 world, this underpins our view that it is reasonable to expect a sense of normality to resume in the sector. With this, we can expect to see an increase in acquisition and disposal activity as companies look to both stabilise and build on their market positions. This may also be driven by any potential changes in taxation which has been rumoured as a potential way for the government to increase the tax purse as it seeks pay for its pandemic response.

We have already seen the emergence of a number of strategic plans. Inchcape Plc has continued to divest with the sale of a number of dealerships in the past 18 months. Having disposed of two dealerships in July 2019 they followed this up with the sale of a third in August 2020 to Arden Maidstone BMW Limited. Vertu Motors Plc, on the other hand, has continued moving forward with their acquisition strategy with the purchase of both Goodman Retail Limited and Leven Cars Group Limited in 2020 to add to their £22m acquisition of The Hughes Group in 2019.

Longer term, we expect there will be broader structural changes to the industry that are anticipated to have an impact on the type of M&A pursued across the sector. Boris Johnson has announced plans to make the UK fully electric by 2030. This will require different equipment and expertise which will continue to drive the market with increased innovation and investment. Equally, customer acquisition will increasingly happen online and the OEMs will continue to build digital relationships with customers. This can be seen with the emergence of Cazoo Limited in the past year which has culminated in £340m of funding being raised during 2020 as part of two separate rounds with backing led by DMG Ventures and General Catalyst Partners. Together with the emergence of Cinch (owned by British Car Auctions) and Carzam in the last year it will be interesting to see what impact these online entrants have in the market place in 2021 and beyond.

## INDUSTRY PERSPECTIVES



### STEVEN EAGELL

CEO, Steven Eagell Group

**Q** Do you see the current pandemic as an opportunity for consolidation in the sector or within your franchise and why?

*Consolidation in the sector had already started prior to the COVID pandemic, and for some brands the current situation may increase consideration for dealer network realignment.*

*For the brands we represent, our product ranges are designed to meet current and future consumer demands. With increasing market share, the existing dealer network structure is well-placed to continue to deliver to customer needs, whilst operating profitably.*

# WILL COVID-19 DRIVE ACQUISITIONS & DISPOSALS IN 2021?

## CONTINUED

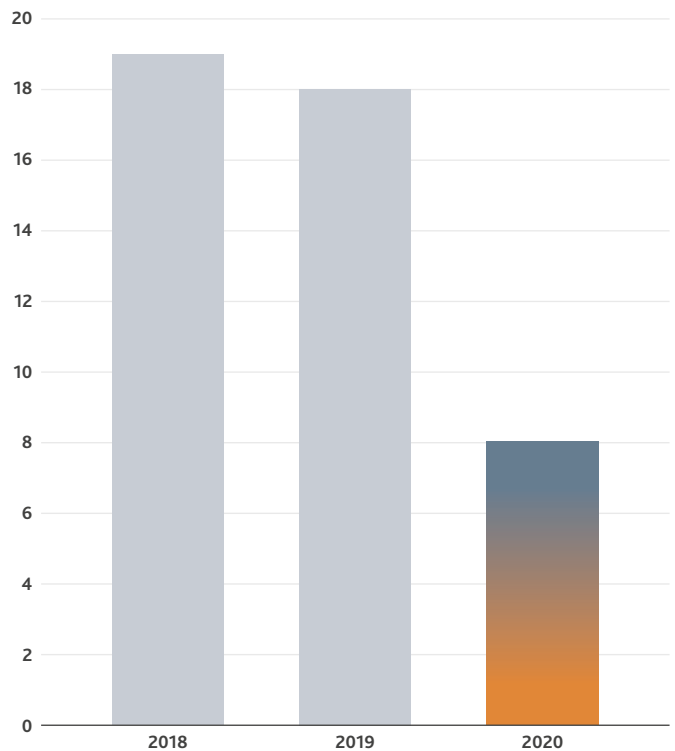
### IMPACT ON M&A

As reported, there were a number of deals completed in 2020, however this has fallen, relatively significantly, from the numbers reported in 2019 and 2018. With the uncertainty arising from the ongoing impact of COVID-19 and, to a lesser extent, Brexit, M&A activity unsurprisingly slowed. However, the presence of deals during this exceptional time shows the overall resilience of, and confidence in, the retail market.

Looking forward, overall M&A volumes in 2021 will clearly be impacted by the level of recovery in the economy, confidence and vaccines etc. However, in terms of consolidation drivers, we believe that 2021 is going to be driven by dealerships defining what their focus is as a retailer. One approach that can drive strong growth is a regional model, and there are clearly some very successful examples such as Hendy Group. Alternatively, is it a focus on specific brands, an online focus or a bricks and mortar one? We see M&A driven by this, as it will shape both divestments and acquisitions.

So although the general trend that continues across the industry is for the larger well-funded companies to acquire their smaller rivals and consolidate into fewer, larger sites (and arguably COVID-19 will have widened the gulf between the larger and smaller companies in the industry) – the actions by some of the largest market players, in seeking recent divestments, indicate that a clear strategic focus is the key element of success going forward. However it should be noted that earnings multiples have reduced over this period and our expectation is that this is unlikely to significantly change in 2021.

### DEAL COUNT YEAR ON YEAR



### TOP DEALS IN 2019...

- ▶ Hendy Automotive acquisition of Westover Group for an undisclosed consideration
- ▶ Heritage Automotive acquisition of Blade Motor Group for an undisclosed consideration
- ▶ Arnold Clark Automobiles acquisition of the Phoenix Car Company for an undisclosed consideration
- ▶ Brayleys Cars acquisition of Thames Honda for an undisclosed consideration
- ▶ Inchcape disposed of a number of sites to various motor groups.

### ...AND NOTEWORTHY DEALS COMPLETED IN 2020

- ▶ Cazoo Limited acquisition of Imperial Car Supermarkets Limited for an undisclosed amount
- ▶ Stoneacre Motor Group acquisition of Hodgson Newcastle Limited for an undisclosed amount
- ▶ Inchcape Plc has continued with their divestment strategy with the sale of sites in Tunbridge Wells for an undisclosed amount and they have recently announced that the sale of further sites in the North East and Croydon areas are in the latter stages of completion. These all being the sale of BMW and Mini Cooper sites.

## INDUSTRY PERSPECTIVES

**PROFESSOR JIM SAKER**

President of the IMI and Director of the Centre for Automotive Management in the Business School at Loughborough University

**Q** Has the pandemic fundamentally changed the recruitment and training model in motor retail, and do you think manufacturers will cut back on dealer training as they have increasingly more direct contact with customers themselves?

*This question gets to the heart of the challenge facing the sector and relates to the whole future of the industry. Historically the franchised structure has been fundamental to the success of motor retailing. The pandemic has delivered a shock to the system and challenged not only the resilience but also the reliance on the traditional models of operation. There has been an acceleration in the acceptance of both online purchasing by customers but also selling by dealers and manufacturers. Prior to COVID-19 several of the car companies were starting to position themselves as mobility providers, this process has been accentuated by the pandemic. The challenge really stems from who is perceived to 'own' the customer in this developing environment. If for 'new car sales' the dealers move to becoming more 'click and collect' on behalf of the manufacturer then possibly the profile of the front of house staff required at the retailer will change. The question is to what extent the manufacturer will utilise 'big data' and embedded technology to communicate directly with the customer as regards service and repair? It is possible to envisage a situation where the customer will only buy online either at home or with assistance at a dealership and then the communication over after sales will come from the manufacturer. It can be argued that with respect to recruitment and training the staffing profile will change but that the training is likely to be more tailored as the manufacturer will require a conformity of operation and brand representation. The sector is likely to move to a more strictly controlled operation like that of IHG hotels or McDonalds rather than the localised branding associated with the dealership ownership.*



# NEW RISKS

## BETTER CONTROLS

COVID-19 has only accelerated the significant transformation in the motor retail sector from increasing digitalisation and manufacturers taking a larger role in managing the customer journey. There is an increasing level of risk facing dealerships, specifically in managing the supply chain, complying with manufacturers' terms and conditions and enhanced scrutiny over second line functions such as data protection.

We have highlighted some areas motor retailers will likely already be considering but which we believe will be of increasing importance in 2021.

1

### DATA PRIVACY

The requirements of the GDPR, Data Protection Act 2018, and other data protection regulations, remain in place. Dealers must stay on top of their data processing activities to ensure they are fully accountable for maintaining compliance. There are a significant number of considerations currently being discussed in the data privacy world, including the processing of employee health information. It is vital that dealerships have a valid and fully justified legal basis behind any new personal data processing that falls into this category. For example, has your organisation engaged in employee temperature checks? Remember that the collection of any health information is classified as special category.

A number of dealerships have customer names on display screens in the showroom. This should only be in place where explicit consent to display this information has been given by the customer.

Dealerships had to move extremely quickly to ensure that their employees were able to work remotely but this brings with it privacy risks that need to be considered which include internal challenges such as the increased use of personal devices.

2

### SPACE MANAGEMENT

The majority of motor retailers furloughed staff during 2020 and with this scheme extended until April 2021, organisations will have to consider how, and if, they re-introduce colleagues back into the workplace. This leads to a number of questions, specifically: If all employees are brought back at the same time, will there be too many people in the workplace given the ongoing need for social distancing? Are those job roles still needed?

Similarly, as a number of employees may continue to work remotely there may be excess space/capacity, will large showrooms and back offices still be needed or can motor retailers utilise this space differently?

Showrooms have been adapted to become 'COVID-compliant', with the roll out of vaccines and with an increasing proportion of the buying journey now taking place online, how will showrooms be structured in the future?

### CASHFLOW

3

Most groups have this as a key control in their business, and control and monitor cashflow on a daily basis. With the impact of COVID-19, many groups have increased their debt over the past 12 months, and as the businesses become more leveraged, cashflow management will only become ever more important. Not only as the working capital cycle increases and reverts back to normal, but also to ensure any requirements such as covenant compliance and forecasting is prepared and considered on a regular basis.

### ELECTRIFICATION

4

Recent announcements from the UK Government that there will be a ban on non-electric new car sales from 2030 only adds to the speed of change. For dealerships, this could mean increased pressure on profit margins due to the reduced need for maintenance on electric vehicles and the increased complexity and cost of electric vehicles requiring an upskilled workforce. Does your organisation currently have the appropriate skills and knowledge to cope with this shift in the market?

### HEALTH AND SAFETY

5

Health and safety at dealerships and in service centres has always been of primary importance. Due to a number of roles now being remotely based, certain retailers may have lost an element of oversight. Motor retailers should consider if there were increased Health and Safety incidents in 2020? How do you ensure that there is still the appropriate level of oversight and compliance in the absence of dedicated personnel onsite?

### CONCLUSION

We would all hope that 2021 proves less turbulent than 2020, but amidst so much change and upheaval it is important to retain focus on your key risk areas and make sure you update processes and controls to reflect the new world in which we find ourselves. This will not only enhance the customer experience but also the engagement with your staff leading to increased profitability and reduced exposure to non-compliance which can be costly to a dealer group.



# MOTOR FINANCE, THE FCA AND COVID

## A YEAR OF COMPLICATIONS

The Financial Conduct Authority's new Senior Managers and Certification Regime (SMCR) continues to be embedded and become 'business as usual', but as soon as you get to grips with something, a new challenge arises. The FCA's supervision has been increasing both before and during COVID-19.

Pre-COVID, two of the largest three motor retailers had to undertake a Skilled Person review on how their dealerships demonstrate affordability and provide the regulated entities with sufficient management information and data required to provide adequate oversight. With affordability and vulnerability becoming of increased importance to the FCA, you have to work closely with your Appointed Representatives to ensure that there is effective record keeping at all dealerships, and there is applicable reporting and governance in place to ensure effective decision making.

SMCR continues to apply to all regulated entities, but still does not apply for Appointed Representatives, and as this is the first year of its full implementation you will likely have just gone through, or currently be going through, your first round of "Certifications" for certified staff in the regime.

### PAYMENT DEFERRALS DUE TO COVID-19

Like the rest of the consumer credit market, COVID-19 has resulted in significant changes. In July 2020, the FCA announced that where customers "are experiencing or reasonably expect to experience temporary payment difficulties" as a result of circumstances related to COVID-19, then a firm should agree a payment deferral for up to three months' worth of payments. However, it is imperative that firms consider if a payment deferral is in a customer's interests, weighing up the need for temporary relief against the longer-term implications and costs. The guidance also states that, when deciding if a payment deferral is in a customer's interests, firms "should not have regard to its own commercial interests" and would also be expected to waive any interest. Firms should also consider if a 'partial' deferral would be in the customer's interests.

When the deferral period is over, firms must consider if a customer is able to return to their original payment plan, and consider the fairest way to ensure the customer still pays back the full value of their loan. For example, this could be by increasing the length of the term of the loan, or increase the monthly payments to offset the missed payments. If customers are not in a position to return to the original payment plan, firms must be able to demonstrate that they have considered the fairest way to ensure the customer does not fall into financial hardship.

### THE END OF THE DISCRETIONARY COMMISSION MODEL

After a consultation in October 2019, the FCA identified that some retailers incentivised staff based on the interest rate the customers pay, and that individual broker dealers could effectively set the interest rate. This ultimately led to more expensive credit for customers, and dealers acting against their interests. It is estimated this could save customers up to £165 million a year. Given the operational challenges we are all facing, the FCA agreed that a ban will come into force on 28 January 2021.

Overall, it is vital that motor retailers can clearly demonstrate how it arrives at decisions for customers, and who makes these decisions. You never know when the FCA might come calling.



## INDUSTRY PERSPECTIVES

**CHRIS YOXON**

Director, Foray Motor Group

**Q Is the pandemic an opportunity for consolidation in the sector or within your franchise?**

*I think so, there will be those groups that have done well over the last year and those that haven't – the latter may be thinking of selling and with mooted tax increases they could decide it is sensible to do so before those changes come into place.*

**Q What role do you think traditional dealerships will play in the motor retail market place in five years' time and how will that be impacted by manufacturers moving to an agency model?**

*I don't think that manufacturers will find it easy to move to an agency model as the infrastructure will be complex and expensive. I also think their focus will be on developing their electric car range. There will be some change, I anticipate there will be fewer sites – we know that Ford for example are looking to have fewer dealerships - but I don't think it will be very much different in this five year timeframe.*

*There is absolutely a fair bit of change ahead but, fundamentally, I think the current model will be around for a little bit longer.*

# CYBER CRIMINALS

## TAKING ADVANTAGE OF A CRISIS

Throughout 2020 there was a level of change and challenge that no board could ever have expected to face. One emerging positive is the agility of technology environments to respond to the largest ever test of their resilience. Unfortunately, as the digital world becomes more sophisticated and organisations continue to realise the value of a connected workforce through a multitude of platforms and devices, so does the cybercriminal, with the opportunity to find new exploits and channels into organisations.

### RECENT CHANGES

Over the last six months, there has been a growth in the number of significant instances being reported to boards. So what's been happening? Fundamentally, the drivers for the attacks are the same: to try to perpetrate fraud; the theft of sensitive data (whether personal information, commercially sensitive or intellectual property) or to disable key parts of the organisation's IT infrastructure to prevent a business trading. What's changed can be summarised into four things:

- 1 There are more entities better equipped to perpetrate a cyber-attack, therefore, the volume of sophisticated attacks is going up
- 2 The rewards are increasing, whether the value of data on the dark web or the size of the ransom requests being paid to avoid the leakage of sensitive information across digital and social media platforms. This drives demand with more skilled individuals involved in criminal activity
- 3 There are more vulnerabilities and channels to exploit, allowing the cybercriminal to become even more creative and confident as they apply their trade
- 4 Exploiting human behaviours remains one key component of the cybercriminal toolkit, and the uncertainty and fear during 2020 created a new vehicle for the cybercriminal to exploit.

### IMPLICATIONS FOR THE AUTOMOTIVE INDUSTRY

Digital innovation continues to revolutionise the automotive industry. This creates five interesting dynamics that should be central to any cyber security strategy:

- ▶ **Data exploits** – The industry is leveraging data more than ever. Access to and analysis of customer details for insights, more commercially sensitive information within future designs, are examples. The cybercriminal knows the value if stolen and it's highly likely that automotive will be in the upper quartile of targets for cyber attack
- ▶ **In-Car technology exploits** – Connecting in-car systems to the internet creates another channel for cyber criminals. It is important that the threat scenarios and vulnerabilities are understood in detail. Examples include, changing the code supporting the in-car system, disabling in-car technologies with the adverse impact on customers and trust of the brand, creating false alerts in all vehicles in the fleet, theft of IP within any in-car system and potential access to customer details
- ▶ **Mobile application security exploits** – As more mobile apps are released by manufacturers for communicating with vehicles, they become a target for cyber criminals to gain a connection to car systems. The number of security vulnerabilities in the Android and iOS mobile operating systems are also a source of concern
- ▶ **Exploiting complex supply chains** – Automotive manufacturers rely heavily upon third party vendors to supply the systems, software and hardware components for their vehicles. Unless cyber security requirements are imposed on suppliers, there is a risk of introducing security vulnerabilities via these components
- ▶ **New generation technology exploits** – As the industry continues development of driverless vehicles, the risk profile will increase and it's imperative that each project has cyber security embedded in every element of the design. Without this, the threats and vulnerabilities within the next generation vehicles and related infrastructure will be continue to be exploited.

## HOW TO RESPOND

There are a few fundamentals that are important to get right in a formal Cyber Security Strategy that is understood, regularly reviewed and approved by the Board. The strategy should consider the following:

- ▶ **Regular assessment of the threats that exist** – This is essential to ensure all known and emerging threats are formally identified and evaluated. The frequency the threat assessment is completed will be based on the specific risk profile and risk appetite at each organisation
- ▶ **Can you translate the threats to the specific vulnerabilities you face** – In other words, what are the doomsday scenarios that could really damage your brand, could have a significant regulatory impact or result in financial loss (due to fraud, material penalties from sanctions or loss of production line). More importantly, can you specifically identify where in your IT infrastructure each scenario could occur (for example, where are all the versions of the sensitive data stored that could be stolen)
- ▶ **Quality of the countermeasures** - For each specific vulnerability, what are the countermeasures to minimise it, including network segmentation, use of a security operations centre to identify live vulnerabilities and deployment of the latest security tools
- ▶ **High Risk Users** – Introduce additional focus on your high risk users, whether this is tools to protect the users with privilege access or additional training to PAs to avoid clicking on email links
- ▶ **Incident Response Plan** – It is clear that the first few hours are critical to containing each attack and your ability to respond in an informed way (for example, when dealing with a ransom request). To ensure each response to a cyber-attack is effective, it is important to use 'Red Teams' to simulate and stress test the response to the worse-case scenarios
- ▶ **Funding** – Unfortunately cyber security does cost and boards should ensure budgets are adequate to attract the best skills, utilise the best tools and develop a Security Operations Centre that will protect and respond, as required, to each attack.

## INDUSTRY PERSPECTIVES



### PROFESSOR JIM SAKER

President of the IMI and Director of the Centre for Automotive Management in the Business School at Loughborough University

#### Q Do you see the agency model accelerating in the UK?

*At the University in 2015 we conducted some research using a European wide panel of experts looking at the potential future of the industry to 2030. Their prediction was the industry would move towards an agency model by the end of the decade. Since then there has been several articles published saying that this was going to be the way forward. Some studies even went as far as suggesting that there was no downside for any of the parties involved. There is definitely an appetite for this type of model especially in the UK where the PCP/PCH offer dominates current retail sales. A CEO of a major group suggested that he saw a future where they operated as an agent for new car sales but controlled the used and service operations. The challenge will be in the breadth of what the agency arrangement covers. With the manufacturers developing systems to become mobility companies they will have the capability of operating the used car operation through several cycles as well as influencing where servicing takes place. The 'dealer' will be less of a 'dealer' and more a logistics handler. With this potential new configuration, the question remains as to whether there is enough profit in a deskilled process to make that dealerships financially viable. A number of manufacturers have committed to keeping a conventional dealer network, but that position could easily change.*

# CYBER CRIMINALS

## HOW TO BEAT SOCIAL ENGINEERING

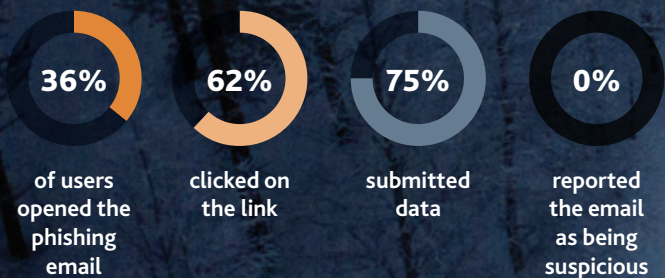
To avoid the feeling of Fear, Uncertainty and Doubt, we would like to end with a story. Like all good stories there must be a beginning and an end and it is worth repeating again and again.

It's the story of **security awareness training** and before we start, we are in no way saying this is a silver bullet that will magically resolve all your cyber related issues. However, it will most likely resolve over 80% of breaches when organisations are targeted using social engineering. Social engineering is the use of deception to manipulate individuals into divulging confidential or personal information that may be used for fraudulent purposes. Examples include sending fake emails to gather information such as clicking on links or cold calling individuals posing as IT. Phishing is one of the most successful type of social engineering and plays on targeting generally the weakest link in our cyber defence, the human. There is a simple remedy to this issue, which is User Awareness Training.

It's probably the most under-invested component of your cyber defence strategy but when properly implemented, the most effective against phishing attacks. Many of you will have anti-phishing technical controls in place, but attacks of this nature are becoming more and more sophisticated.

We often carry out phishing exercises or campaigns for our clients to assess the awareness of their employees. What is particularly interesting are the polar opposite results for clients that have effective and frequent security awareness campaigns compared to those that don't.

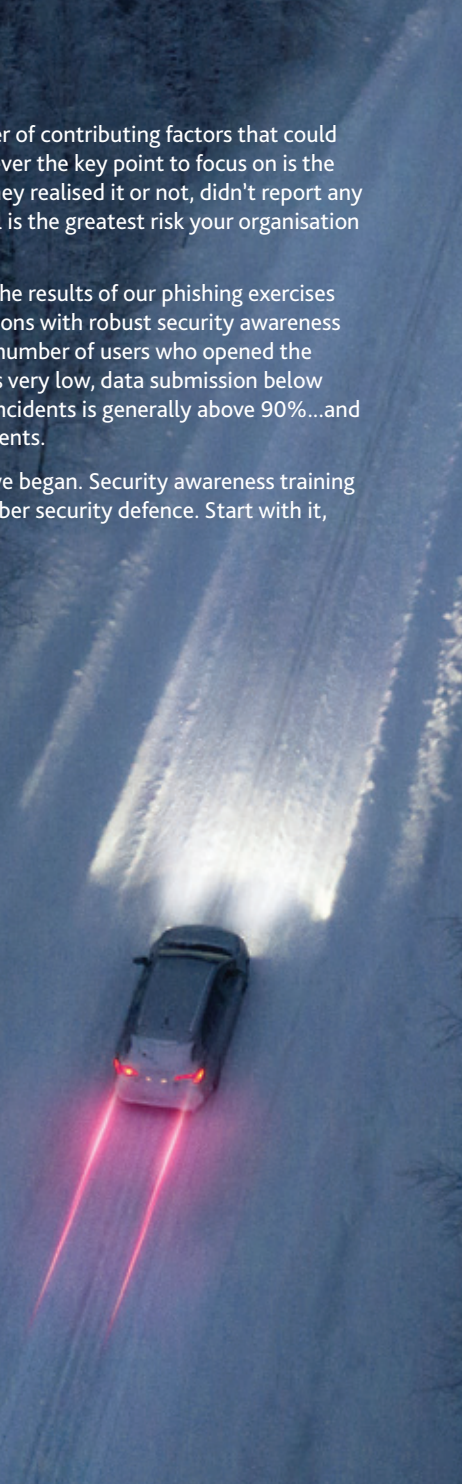
One of our most recent tests was for a client who had not performed any awareness training in the last 12 months. The overall results were quite telling across the 668 phishing emails sent:



There may have been a number of contributing factors that could have skewed the results, however the key point to focus on is the last one. The users, whether they realised it or not, didn't report any suspicious activity. This overall is the greatest risk your organisation may face.

There is a marked contrast in the results of our phishing exercises when performed for organisations with robust security awareness campaigns. In most cases the number of users who opened the emails or clicked on the links is very low, data submission below 10% but the reporting of the incidents is generally above 90%...and this is consistent across our clients.

So let's end the story, where we began. Security awareness training is key in your organisation's cyber security defence. Start with it, end with it and repeat it.



# WHY ESG CAN HAVE A POSITIVE IMPACT ON RETURNS

As we move into the second decade of the 21st century, it is becoming apparent that the Environmental, Social and Governance (ESG) agenda is influencing the whole business roadmap. This is also the case in the motor retail industry with the pace and rate of change increasing significantly. So what should dealerships be aware of and what steps can they take?

ESG is a position that businesses are now having to take seriously, as it is seen as your licence to operate within your chosen marketplace. This concept is not just the preserve of large multinational motor manufacturers as it starts to play more of a role in the business decisions and day-to-day activity of all retailers.

## ENVIRONMENTAL

The green agenda is not just about whether sales staff can discuss the range of electric vehicles that are available. It is now much wider in terms of demonstrating environmental traits on individual sites i.e. the way in which showrooms and workshops are constructed and how energy and water efficient they are. All large motor groups are now required to report on their energy use. The capital allowances and R&D tax credit regimes recognise this and so although a cost may be involved in undertaking a claim, it can generate a return in tax savings and so at least be neutral, and in some cases produce a positive return in the form of brand development.

## SOCIAL CHANGE

This is no longer just about supporting a number of local charities, although this in itself is a positive thing. Social now covers a cultural change in terms of transparency around gender equality, diversity and staff policies across the board. The legislation that now exists means that retailers have to publish their stance on these issues and be accountable for them.



## GOOD GOVERNANCE

The Governance agenda is increasing on a year-by-year basis as more and more legislation comes into play. This has a cost impact on business as everyone tries to comply with things like GDPR and other digital based regulations. Tax changes such as the Corporate Criminal Offences or new IR 35 regimes are some of the ways that HMRC are gaining access to the inner workings of businesses to ensure that each is paying the right amount of taxation.

# WHY ESG CAN HAVE A POSITIVE IMPACT ON RETURNS

## CONTINUED

### THE BIGGER PICTURE

But why is ESG important, especially to motor retailers? There is growing research that suggests that good practice from an ESG perspective also transfers into increased returns as customers increasingly buy into the whole concept.

If sales staff are highly trained on the environmental agenda they will be able to demonstrate the sustainable nature of a vehicle, and how it has been made which will then translate into brand loyalty. If showrooms and workshops are more energy efficient then this reduces cost and so adds profitability through margin gains at a departmental level.

There is a lower cost of capital as funders look to reward and be associated with projects and businesses that support ESG. Numerous national and regional grants are available for ESG projects all of which creates value such that this can be used within the business for the retention or development of current or future talent.

The staff of the future will be very ESG aware. To attract the best talent a clear policy and offering in this context helps demonstrate the whole culture of the business. Importantly, they will hold similar views as the customers that they deal with, supporting better and more profitable client relationships.

Retailers should stop and think about the information they produce and what this says about their business. For example, it is more important than ever to consider the messaging within the annual statutory accounts. As a public record, more retailers could use this as an opportunity to promote their ESG credentials as larger groups are already required to do. At the very least stop and think about the possible impact this could have on the customer. Avoid confusing messages, try to be transparent and use it as a document to encourage potential customers to visit the dealership.

The ESG agenda should now be on all boardroom tables for debate. The UK Government has recently gone even further with the Chancellor announcing his intention to implement a green 'taxonomy'. Alongside a number of other requirements this will make the UK the first country in the world to mandate economy-wide disclosures in line with the task force on Climate Related Financial Disclosures (TCFD). This may only be a taste of things to come and retailers need to be ready to embrace the changes.



## INDUSTRY PERSPECTIVES

**STEVEN EAGELL**

CEO, Steven Eagell Group

**Q What do you see as the biggest risks to your business in the next 12 months and why?**

*The ongoing COVID pandemic remains the most significant challenge. Due to the ongoing trading restrictions we have had to rapidly adapt our sales process and we need to continue doing so in this area to ensure we maximise every opportunity. Equally, we need to make certain we have highly effective plans established to meet all our customers' needs, across both sales and aftersales departments, when the anticipated "bounce-back" period begins, following the lifting of restrictions. This includes the continuation with our training, coaching and development plans, whilst ensuring we have the sales capacity and right infrastructure to meet future demand.*

**Q What role do you think traditional dealerships will play in the motor retail market place in five years' time and how will that be impacted by manufacturers moving to an agency model?**

*Whilst end-to-end online new car sales volumes are currently relatively low, there is clear indication that the pandemic has resulted in changing consumer buying behaviour and these numbers may be set to increase, with growth accelerated by the agency model.*

*However, we know from our own experience and from recent consumer research that customers hold great value in the relationship with their local dealer, so the customer experience will remain critical, for those consumers who still want to see, feel and touch the car before making the decision to purchase a new or used car. Whilst we clearly need to continue improving our complete digital offering, it is essential that we also concentrate on the physical customer experience, rather than channelling all our focus into online sales.*

*As always, the businesses prepared to adapt to change and embrace the likely shift of focus from "sales experience" to "customer experience", will be those who continue to thrive.*

# OTHER FACTORS SHAPING THE NEW REALITY

As we noted at the start of this report, 2020 has been an exceptional year and not one that could ever have been forecast. Besides the impact of the pandemic, which has led to new ways of working and interacting and selling to customers, there are a number of other factors shaping the new reality in the mid to long term.

## THE ECONOMY

As we face the economic impact of a third national lockdown the previous hopes of a V shaped post pandemic upturn now seem a distant memory. It is apparent that any recovery will be protracted and unlikely until the second half of the year once vaccines have been rolled out to the whole population. Already some economic commentators are forecasting 2021 to be a year of two halves. What is certain is that for many it feels like the ongoing government initiatives which have been so necessary are creating significant levels of national debt that will have to be paid off. It seems inevitable that this will lead to higher taxation in the future and could just be delaying recession.

The impact on the sector would be immediate and could threaten the existence of some groups. This would, however, provide opportunities for the stronger groups to drive further consolidation in the sector. It would also allow the manufacturers to review their retail model and consider the number of outlets and partners that they work with.

## ATTITUDE TO MOBILITY

Anecdotally, it seems odd to say this when in the course of 2020, many people worked from home for if not all, then a large part of the year. However, as the world eventually starts to get back to some sort of normality there are likely to be changes to mobility which should only provide some comfort to the Motor 150 group. In the short to mid-term less people are likely to want to use public transport and less people are likely to car share - which is in contradiction to previous thoughts around the reduction in car ownership. Both these have and will provide opportunities to dealer groups as car ownership increases as a result. These might not all be new car owners and may lean towards used cars, but it will create opportunities for the dealer to engage with new customers both of a younger and older age.

## ELECTRIFICATION

In November 2020 the Government announced that all cars built from 2030 will have to be electric. Currently only around 3% of all cars sold globally meet this requirement. In the UK as of October 2020, pure-electric market share had risen to 4.7%, up from 1.7% for the whole of 2019 and plug-in models overall made up 7.7% of all new cars sold (source nextgreencar.com). Many are arguing for hybrid models to continue to be a stepping stone to full EV. In any event, to meet the Government's new target it will require continued, significant investment by the manufacturers. To take advantage from this shift, the dealer groups are to a large extent dependent on the speed with which their relevant manufacturer continues to develop their electric car range and their ability to supply this at volume. It also relies on the Government in creating the infrastructure across the country to support full electrification within such a short time which many feel will not be achieved.

There will be opportunity as consumers increasingly look to change their existing car for an electric vehicle. However it will also create an aftersales challenge as these will have fewer moving parts and ultimately will need less maintenance.

There are many hurdles to overcome but these are in the first instance primarily for the manufacturer and the Government to tackle. The switch to electric is only speeding up and although there will be significant numbers of petrol and diesel cars on the road for the foreseeable future that need servicing and maintenance, dealers and manufacturers need to ensure they are adopting a strategy to support electrification and changing consumer demands.

## AGENCY MODEL

Dealerships are facing a simple choice: adapt and evolve or take the risk of becoming less and less relevant. Dealers are not oblivious to this. According to Accenture, 85% of the dealers surveyed agree that the sales model needs to adapt quickly in order for them to survive.

We have mentioned the agency model in previous Motor 150 reports and we understand that it has been successfully adopted by some manufacturers around the world ie Toyota in New Zealand and Daimler Chrysler in South Africa. It would now appear to be gaining some traction in the UK and a topic that is attracting more airtime.

This would significantly change the role of the dealer. It would allow them to focus on used cars and after sales and it would potentially de-risk the dealer as a result of having to hold less stock and as such reduce their overall gearing. The dealership would become more of an experience and handover centre. This may change the requirements for significant investment in showrooms, but in all likelihood the manufacturer would still require a level of investment and dealer standards to represent them.

Some commentators note that this will only give further power to the manufacturer but many people would note that the manufacturer has the majority (if not all) of the power at the moment anyway!

### BREXIT

No report would be complete with mentioning what happens post-Brexit. A no-deal Brexit would have significantly impacted the sector. Now a deal has been completed, for motor retailers this not only creates certainty for the sector but also has reduced the fears of tariffs and significant price increases for the customer. It should also allay any fears for the manufacturers and they can now push ahead with investments at their manufacturing plants in the UK and the development of electric vehicles in the UK.

### THE CHANGING CONSUMER

The consumer continues to spend increasing amounts of time doing their research on-line before coming into the dealership to 'touch and feel' the car. This consumer (and in particular the millennial generation) do not want to spend hours in the dealership and haggle over the price. Recent research has shown that once a consumer has been in the dealership for more than 45 minutes you have started to lose them and they do not want the perceived confrontation of haggling on a deal. Those dealers who recognise this change in the consumer and adapt the sales journey and the training of their staff to reflect this will be the ones who profit the most.

### DIGITAL JOURNEY

This has been discussed for many years now and the pandemic has only highlighted it further with dealer groups investing more time and effort in making the digital journey as frictionless as possible. However, the consumer is not changing overnight to wanting a purely digital journey. In a recent McKinsey and Company survey, they noted that dealership visits and test-drives are still the number one factor influencing consumers purchasing decisions today, with around 70% of car buyers still considering the dealership a major touch point for physically experiencing the car. The digital journey will continue to develop and help the consumer in narrowing down their choice of purchase but will still not be the final reason for buying the car. Bricks and mortar are very much here to stay.

### CONCLUSION

We have been considering the transformation of the sector within the pages of our Motor 150 Report for several years now and COVID-19 has only increased the pace of change in some respects. Given many of the drivers of this change are beyond the control of motor dealers themselves, despite a tumultuous year, our advice remains the same. Those dealers who have the strongest balance sheets, can adapt the quickest and most importantly can keep in tune with the customer will be the ones that continue to succeed in an ever more challenging world.



## INDUSTRY PERSPECTIVES



### PROFESSOR JIM SAKER

President of the IMI and Director of the Centre for Automotive Management in the Business School at Loughborough University

**Q** The pandemic is driving more opportunities for consolidation – is this a good thing for the sector?

*It is undoubtedly true that the pandemic has given companies the opportunity/excuse to examine and rationalise their operations. If this makes the organisations more efficient and resilient going forward that is undoubtedly good. The question that must be addressed is whether consolidation actually diminishes choice for the consumer. If the consolidation results in an efficient local dealership being taken over by a larger group, then some doubts arise. If the only benefit is driving economies of scale centrally then it can be argued that it works for company shareholders and the profitability of the sector generally but is not necessarily good for the local customer base. The challenge is whether over a certain size companies start to struggle with diseconomies of scale. In reality that depends on the quality of both the leadership and the management. That however is a completely different question.*

## THE MOTOR 150 GROUP PERFORMANCE

### HARD GRAFT

2019 feels like a lifetime ago with all the upheaval the pandemic has brought in 2020. However with many dealers understandably unsure of what level of performance to expect or forecast for 2021 and beyond many are looking at how 2019 fared as the last stable year upon which to base their expectations. Therefore it is important to keep the industry performance in mind and understand the underlying trends.

In 2019 the Motor 150 mustered a second consecutive 1.4% increase in turnover. This was despite a 2.4% decrease in new vehicle registrations, the third annual fall in a row from the peak in 2016. There was no change in the volume of used vehicle sales. As a result the slight increase in turnover is likely due to further consolidation in the market and small price rises. The gross profit margin was consistent with the previous year at 10.8% (10.9% in 2018) however whilst motor dealers have continued to work hard to match their 2018 results their costs continue to increase year on year. Operating expenses increased by 2.4% year on year which, when combined with the slight deterioration in the gross margin, has meant profit before tax has fallen from £565m in 2018 to £369m in 2019. The profit margin therefore fell from 0.82% to just 0.53%.

In an industry with such tight margins this shows just how important it is for groups to exercise careful cost control. Unsurprisingly, employee pay continued to be the largest expense for all groups, with an increase of 6% from 2018 levels. This was due to an increase in the number of employees by 3% to 135,000 people and also a 3% increase in the average cost per employee.

However looking at the consolidated numbers for the Motor 150 group as a whole does not tell the whole story. Pendragon and Lookers, with their much-publicised difficulties, saw their 'profitability' fall by a combined £202m, which is in line with the £196m fall in profit before tax noted above. With these two groups removed the story for the rest of the industry is one of hard work to match what was done the year before.

## ANALYSIS OF TURNOVER

	2019 TURNOVER	2018 TURNOVER	2017 TURNOVER	2016 TURNOVER	CHANGE 2018-2019	CHANGE
	£	£	£	£	£	%
Positions 1-15	36,783,056,003	36,551,007,819	36,655,121,306	33,527,382,141	232,048,184	0.6%
Positions 16-30	10,328,733,170	9,906,106,972	9,199,248,877	8,488,856,740	422,626,198	4.3%
Positions 31-45	6,858,415,532	6,528,548,219	6,289,313,795	5,750,196,097	329,867,313	5.1%
Positions 46-60	4,364,752,570	4,414,979,298	4,378,374,421	3,798,116,602	(50,226,728)	-1.1%
Positions 61-75	3,213,371,223	3,282,468,773	3,097,554,534	3,048,632,057	(69,097,550)	-2.1%
Positions 76-90	2,559,764,748	2,506,182,080	2,440,709,232	2,429,668,206	53,582,668	2.1%
Positions 91-105	1,961,940,189	1,925,777,470	1,949,980,514	1,936,573,066	36,162,719	1.9%
Positions 106-120	1,466,127,434	1,478,400,477	1,578,247,418	1,552,561,320	(12,273,043)	-0.8%
Positions 121-135	1,223,693,976	1,209,764,078	1,239,947,670	1,255,673,145	13,929,898	1.2%
Positions 136-150	983,891,802	959,194,802	1,002,014,337	990,670,265	24,697,000	2.6%
	<b>69,743,746,647</b>	<b>68,762,429,988</b>	<b>67,830,512,104</b>	<b>62,778,329,639</b>	<b>981,316,659</b>	<b>1.4%</b>

## ANALYSIS OF MARGINS

	2019 MARGIN	2018 MARGIN	CHANGE 2018-2019	CHANGE
	%	%		%
Positions 1-15	0.15	0.79	(0.65)	-81.6%
Positions 16-30	1.07	1.13	(0.06)	-5.1%
Positions 31-45	1.07	0.69	0.38	54.4%
Positions 46-60	1.35	1.33	0.02	1.6%
Positions 61-75	0.77	0.71	0.05	7.5%
Positions 76-90	0.05	(0.20)	0.26	126.0%
Positions 91-105	0.43	0.44	(0.01)	-2.1%
Positions 106-120	1.11	0.77	0.34	44.7%
Positions 121-135	0.93	0.99	(0.06)	-6.4%
Positions 136-150	1.08	1.04	0.03	3.3%
	<b>0.53</b>	<b>0.82</b>	<b>(0.29)</b>	<b>35.4%</b>
Positions 1-75	0.52	0.87	(0.35)	-40.2%
Positions 76-150	0.59	0.45	0.13	29.1%



# THE MOTOR 150 GROUP

## PERFORMANCE



### MORE OF THE SAME

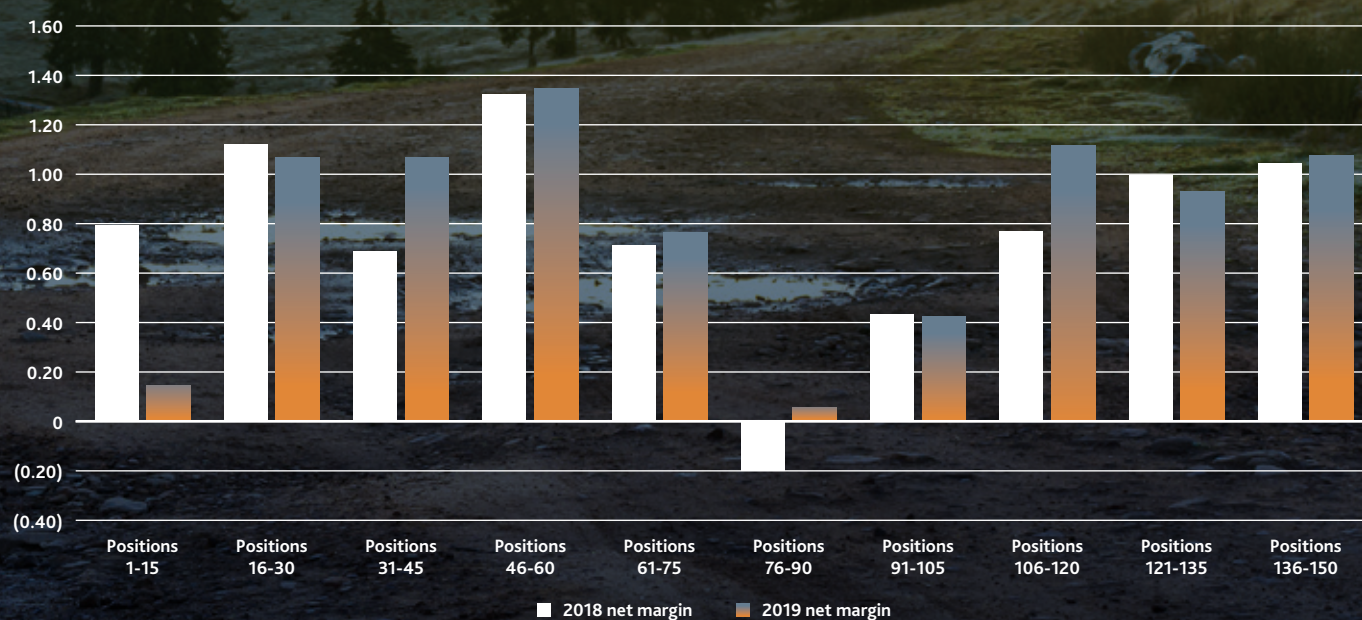
The consistency shown in performance was felt throughout the Motor 150 group. Both the largest 75 groups and the next 75 saw their turnover increase by the 1.4% seen for the group as a whole. In the previous year there had been a split in the return on sales for the two sub groups however whilst in 2018 the largest 75 groups has a net margin of 0.87% compared to 0.45% for the next 75, in 2019 this was more equally split with 0.52% and 0.59% respectively. During 2019 there were 22 groups who made losses, which is lower than the 32 that lost out in the previous year.

The consolidated balance sheet for the Motor 150 group followed a similar theme to the profit and loss, with a lot of consistency across the board. Stock levels increased slightly by 4% and this was matched by modest increases in stocking loans. The main area of

change was the continued investment in capital items. A further £1.0bn (2018 - £1.1bn) was spent on tangible assets (excluding vehicles) showing that dealer groups were still continuing to invest in their facilities. This also meant an increase in the level of bank loans and overdrafts with an overall impact being a rise in gearing from 69% to 74%.

Considering what has happened in 2020 many dealers no doubt yearn for the relative calm and consistency shown in 2019. Where 2019 might be the benchmark dealers look to when trying to find their feet in a changing economic landscape, many will feel that with the changes made in cutting costs, and a further embrace of automation and the use of digital, there is definite opportunity for growth and improvement.

## CHANGE IN RETURN ON SALES



## KEY PERFORMANCE INDICATORS

	2019	2018	2017	2016	2015
Turnover	£69.7bn	£68.8bn	£67.8bn	£62.8bn	£58.6bn
Change in turnover	1.4%	1.4%	8.0%	7.1%	6.0%
Gross profit	£7.5bn	£7.5bn	£7.3bn	£6.9bn	£6.5bn
Operating profit	£624m	£807m	£1,032m	£1,146m	£1,107m
Profit/(loss) before tax	£369m	£565m	£840m	£959m	£922m
Return on sales	0.53%	0.82%	1.24%	1.53%	1.57%

# THE MOTOR 150 GROUP

## THE NUMBERS

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2019	2018	2017	2016	2015
	£m	£m	£m	£m	£m
<b>Turnover</b>	<b>69,744</b>	<b>68,762</b>	<b>67,831</b>	<b>62,778</b>	<b>58,640</b>
Cost of sales	(62,206)	(61,245)	(60,565)	(55,904)	(52,170)
<b>Gross profit</b>	<b>7,538</b>	<b>7,517</b>	<b>7,266</b>	<b>6,874</b>	<b>6,470</b>
Gross profit %	10.81%	10.93%	10.71%	10.95%	11.03%
Operating expenses	(7,097)	(6,934)	(6,416)	(5,929)	(5,598)
Other operating income	183	224	182	192	238
<b>Operating profit</b>	<b>624</b>	<b>807</b>	<b>1,032</b>	<b>1,137</b>	<b>1,110</b>
Interest paid	(269)	(255)	(211)	(198)	(200)
Interest received	14	13	19	20	12
<b>Profit before tax</b>	<b>369</b>	<b>565</b>	<b>840</b>	<b>959</b>	<b>922</b>
Taxation	(116)	(147)	(161)	(184)	(185)
<b>Profit after tax</b>	<b>253</b>	<b>418</b>	<b>679</b>	<b>775</b>	<b>737</b>
Other comprehensive income	32	49	24	(12)	(6)
<b>Net profit</b>	<b>285</b>	<b>467</b>	<b>703</b>	<b>763</b>	<b>731</b>

### CONSOLIDATED BALANCE SHEET

	2019	2018	2017	2016	2015
	£m	£m	£m	£m	£m
<b>Fixed assets</b>					
Intangible	1,203	1,218	1,270	1,196	953
Tangible	7,278	6,467	6,222	5,562	5,124
Investments	296	282	225	339	194
	<b>8,777</b>	<b>7,967</b>	<b>7,717</b>	<b>7,097</b>	<b>6,271</b>
<b>Current assets</b>					
Stock	12,501	12,034	11,708	10,417	10,020
Debtors	3,362	3,331	3,320	2,953	2,731
Cash	896	707	714	709	748
Other	414	405	300	311	362
	<b>17,173</b>	<b>16,477</b>	<b>16,042</b>	<b>14,390</b>	<b>13,861</b>
Debtors due after more than one year	37	33	29	39	35
<b>Total assets</b>	<b>25,987</b>	<b>24,477</b>	<b>23,788</b>	<b>21,526</b>	<b>20,167</b>

## CONSOLIDATED BALANCE SHEET CONTINUED

	2019	2018	2017	2016	2015
	£m	£m	£m	£m	£m
<b>Current liabilities</b>					
Loans and bank overdrafts	5,363	4,804	4,430	4,092	3,645
Trade and other payables	11,207	10,589	10,756	9,585	9,263
Current tax liabilities	61	66	75	105	135
	<b>16,631</b>	<b>15,459</b>	<b>15,261</b>	<b>13,782</b>	<b>13,043</b>
<b>Non-current liabilities</b>					
Loans and bank overdrafts	2,210	1,788	1,501	1,385	1,106
Trade and other payables	556	450	518	458	554
Pension liabilities	149	135	171	228	163
Provisions	134	108	66	55	40
Deferred tax	150	166	124	132	105
	<b>3,199</b>	<b>2,647</b>	<b>2,380</b>	<b>2,258</b>	<b>1,968</b>
<b>Total net assets</b>	<b>6,157</b>	<b>6,371</b>	<b>6,147</b>	<b>5,486</b>	<b>5,156</b>
<b>Capital and reserves</b>					
Share capital	861	835	853	778	744
Share premium	432	441	435	409	386
Profit and loss account	4,530	4,768	4,541	3,965	3,669
Revaluation reserve	146	144	156	142	164
Other reserves	173	170	135	158	167
	<b>6,142</b>	<b>6,358</b>	<b>6,120</b>	<b>5,452</b>	<b>5,130</b>
Minority interest	15	13	27	34	26
<b>Total equity</b>	<b>6,157</b>	<b>6,371</b>	<b>6,147</b>	<b>5,486</b>	<b>5,156</b>



# MOTOR 150 COMPANY NAMES

Allen Ford (UK) Limited	Delgarth Limited	Helston Garage Group Limited	Motorvogue Limited	St Leonards Motors Limited
Ancaster Group Limited	Desira Group plc	Hendy Automotive Limited	O.M.C. Motor Group Limited	Stephen James Automotive Limited
Aprite (GB) Limited	Dick Lovett Companies Limited	Heritage Automotive Limited	Ocean Automotive Limited	Steven Eagell Limited
Arnold Clark Automobiles Limited	Donnelly Bros Garage (Dungannon) Limited	Horizon Motor Company Limited & Magna Motor Company Limited	Park Lane Limited	Sutton Park Motor Company Limited
Barretts of Canterbury Limited	Drift Bridge Garage Limited	Howard Garages (Weston) Limited	Parks of Hamilton (Holdings) Limited	Swansway Group Limited
Baylis (Gloucester) Limited	Drive Motor Retail Limited	Inchcape Retail Limited	Parkway Derby Limited	Sytner Group Limited
Bells Motor Group Limited	Eastern Western Motor Group Limited	Jacksons (C.I.) Limited	Partridge of Hampshire Limited	T. Hayselden Limited
Birchwood Motor Group Limited	Eden Automotive Limited	Jardine Motors Group UK Limited	Pendragon plc	T.C. Harrison Group Limited
Bolton Car Centre Limited	EMG Anglia Limited	JCB Medway Limited	Pentagon Motor Holdings Limited	T.G. Holdcroft (Holdings) Limited
Brayleys Cars Limited	Endeavour Automotive Limited	JCT 600 Limited	Peoples Limited	Tanner Automotive Limited
Breeze Motor Company Limited	F.G. Barnes & Sons Limited	Jemca Car Group Limited	Perrys Group Limited	Thames Motor Group (Slough) Limited
Bugle Inn Motor Company (Holdings) Limited	F.R.F. South Wales (Holdings) Limited	John Clark (Holdings) Limited	Peter Cooper Motor Group Limited	The Harratts Group Limited
Burrows Motor Company Limited	Fish Brothers (Holdings) Limited	John Grose Group Limited	Peter Vardy Holdings Limited	Trust Group UK Limited
Bussey & Sabberton Bros. Limited	Foray Motor Group Limited	Johnsons Cars Limited	Porsche Retail Group Limited	Underwoods Garage (Tiptree) Limited
C.E.M Day Limited	Ford Retail Limited	JT Hughes (Owesty) Limited	PSA Retail UK Limited	Vantage Motor Group Limited
Caffyns plc	Furrows Holdings Limited	L&L Inc Limited	Renault Retail Group UK Limited	Vertu Motors plc
Cambria Automobiles plc	Gates Group Limited	Listers Group Limited	Renrod Holdings Limited	Vindis Group Limited
Cameron Group (Perth) Limited	George Thurlow and Sons (Holdings) Limited	Lloyd Motors Limited	Richmond Cars Limited	Vospers of Plymouth Limited
Carco Group Limited	Glyn Hopkin Limited	Lookers plc	Ringways Garages (Doncaster) Limited & Ringways Garages (Leeds) Limited	W Brindley (Garages) Limited
Cars 2 Limited	Gravell's Limited	LSH Auto UK Limited	Riverside Motors Holdings Limited	W.H. Bowker Limited
Cathedral Motor Company Limited	Greenhous Group Limited	Marriott Motor Group Limited	Rybrook Holdings Limited	W.J.King (Garages) Limited
Central Garage (Uppingham) Limited	Grevan Cars Limited	Marsh Wall Limited	S.G. Petch Limited	W.R. Davies (Motors) Limited
Chapel House Holdings Limited	Group 1 Automotive UK Limited	Marshall Motor Holdings plc	Saftdwin Limited	Walter E Sturgess & Sons Limited
City West Country Limited	Guildford Portfolios Limited	Marubeni Auto Investment (UK) Limited	Sandal Motors (Bayern) Limited	Waylands Automotive Limited
Citygate Automotive Limited	H. R. Owen plc	McLean & Appleton Limited	Sandcliffe Motor Holdings Limited	William Morgan Group Limited
Cotswold Motor Group Limited	Halliwell Jones Limited	Mercedes-Benz Retail Group UK Limited	Sandown Motors Limited	Williams Motor Co (Holdings) Limited
Cox Motor Group Limited	Hartwell plc	Mike Pulman Limited	Simon Bailes Limited	Wilmoths Holdings Limited
Currie Motors Limited	Harwoods Limited	MJT Securities Limited	Sinclair Motor Holdings Limited	Wilson & Co. (Motor Sales) Limited
D. M. Keith Limited	Hawco & Sons Limited	Mon Motors Limited	Snows Business Holdings Limited	Worcester Carsales Limited
Decidebloom Limited	Hawkins Motors Limited	Motorline Holdings Limited	Specialist Cars Holdings Limited	Yeomans Limited

# COMPILATION OF THE REPORT

## SOURCES OF INFORMATION

The 150 companies included in this report were selected from the "Top 200 Franchised Dealer Survey" published in Motor Trader magazine and copies of most recent financial statements were obtained from Companies House filings. The published accounts (see below for year ends), obtained from Companies House filings, were used to provide the financial information included in this report.

## YEAR ENDS

The year ends included in the 'current period' financial information in this report range from 31 March 2019 to 31 March 2020 being the most recent accounts filed at Companies House at the time of the compilation of this report. For companies with December year ends (124 in the population) the 'current period' will be the year ended 31 December 2019. For January to March year ends (9) the current period is that ending in 2020. For April to November year-end companies (17), due to the restrictions of the filing deadlines at Companies House and the timescale of compilation of this report the current periods are predominantly those ending in 2019.

## AGGREGATION

The published accounts of the 150 companies identified by the above processes have been combined by a simple aggregation to produce the financial information in this report. No consolidation adjustments have been made and in particular no adjustments have been made to reflect the non-coterminous year-ends of the companies.

## IFRS AND UK GAAP

Of the 150 companies, nine have prepared their accounts under IFRS and the remainder under UK GAAP. However, as those companies represent 31% of total revenue and as the implementation of IFRS will increase in future, we have decided to present the financial information in a format more consistent with IFRS than UK GAAP. We have made no attempt to adjust UK GAAP numbers to comply with IFRS, we have merely represented the UK GAAP numbers in a format similar to IFRS.

Consequently a number of allocation judgements were required that may impact the comparability of the financial information.

## DISCONTINUED OPERATIONS / NON OPERATING ITEMS

No distinction has been made between continuing and discontinued operations due to the variety of judgements and presentational approaches taken by relevant companies. Where it has been possible to identify such items, all 'exceptional' or similar items reflected outside operating profit have been aggregated, although we have produced a brief analysis of the main items in the notes to the accounts.

## DISCLAIMER

The financial information in this report has been compiled exclusively from publicly available information under the key assumptions and limitations outlined above. It has been designed solely for illustrative purposes to highlight trends in the financial performance of a representative sample of companies in the sector. BDO has made a number of judgments in aggregating the information into a consistent format BDO does not, and cannot, warrant the completeness or accuracy of such adjustments. Furthermore in adjusting the presentation adopted in published accounts to meet the specific requirements of this report, BDO is not making any judgement nor giving any opinion on the presentation adopted in those published accounts. BDO has not carried out any verification work on the financial information in this report and gives no opinion on the financial information. The financial information was not compiled with the intention that it should be used for any purpose save for that described above. We do not accept responsibility for the financial information to any person or for any purpose other than that for which it was prepared.



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### SECTOR SPECIALISTS IN MOTOR RETAIL

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