

Automotive Outlook 2023

Predictions for the year
ahead from our specialist
automotive team

**Our seventh annual
Automotive Outlook
combines research with
our own insights to take
a look back at 2022
performance and share
our predictions for 2023
and beyond**



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A photograph of a person's hands on a steering wheel, viewed from the driver's perspective. The background shows a blurred road and trees. Overlaid on the image are several thick, green, curved lines of varying lengths and orientations, creating a dynamic, abstract pattern.

**The most talked
about topic
in the industry
continues to be
the manufacturer
agency proposal**

Welcome to our 2023 Automotive Outlook

For many, 2022 felt like more than just a year.

Since we published our Automotive Outlook in early 2022, the war in Ukraine triggered a global financial and energy crisis and the UK economy faced unprecedented volatility with three prime ministers, the death of our longest reigning monarch, accelerating inflation, tightening monetary policies, ongoing industrial action, an unfolding cost-of-living crisis; the list goes on.

The above list would suggest 2022 was the year to forget but, as the year drew to a close, it had been another good year for most. That said, 2022 painted more of a mixed picture with turnover generally up by around 15% to 25%, however profit ranges vary widely, from loss making results to in excess of the already record breaking 2021.

In December 2022, the Society of Motor Manufacturers and Traders (SMMT) reported the fifth consecutive month of growth in new car registrations, which has continued into 2023. However, as supply has filtered through at a slower pace than initially predicted, partly due to the unexpected war in Ukraine, the stronger performance from the second half year was not enough to offset the declines recorded during the first half of the year, with 1.61m new cars registered in total during 2022 (down 2% YoY), a long way off the peak of 2016.

The SMMT statistics also reported a marked increase in the number of EV registrations with a 40.1% increase in the number of BEV registrations in 2021. However, with only one of the top ten models sold during 2022 being pure EV (the Tesla Model Y) and some dealers reporting a downturn in EV orders, it will be interesting to see whether this level of growth continues. The bigger question for many is around the residual values of electric vehicles and where these will land in a few years to come, as well as the risk of ever higher monthly leasing costs.

The most talked about topic in the industry continues to be the manufacturer agency proposal, with Mercedes launching their agency model as of 1 January this year. Confusion, uncertainty and concern regarding the changes, which appear to be focused on reducing the cost of distribution and stabilising pricing across retail points, are rife. What is not transparent or understood is what this means for dealership profitability and, more importantly, viability, with many brands yet to release their actual agency terms and proposals.

Economic uncertainty, alongside so many variables and changes afoot in the industry, means 2023 will undoubtedly bring with it a number of challenges.

Yet, compared to many other sectors, automotive retail is in a good place as we head into a likely recession.

Unlike the financial crisis of 2007, we are in a supply driven market with strong order banks which should cushion any immediate consumer confidence issues. With inflation levels forecast to improve throughout the year, and predictions of a fairly mild recession, we are confident the industry is well placed to weather this next storm.

Road to our Outlook

We have combined research with our own insights from many years' working in the sector in this, our seventh annual automotive outlook. We begin by hearing from UHY automotive partner, Ian McMahon, and head of research at Zeus Capital, Mike Allen, who share their thoughts on page 3 about the state of the market and the key issues they expect dealers to encounter this year.

We also hear from UHY's head of automotive, David Kendrick who, with over 200 transactions under his belt, knows the automotive M&A market better than most. On page 5, David shines a spotlight on the 2022 transactions market and shares his predictions for 2023 and beyond.

Guest contributor, Richard Coates, partner and head of automotive at UK law firm, Freeths, considers the legal implications of the agency model on page 9, followed by our own commentary about the perceived impact of agency on profitability and business value on page 11.

The experts at Autotrader have also contributed again to this year's Outlook, shining the spotlight on the key market trends and sharing their predictions for 2023. The article on page 7 is a must read for all dealers.

As a firm of accountants, our Outlook would not be complete without us providing an update about the significant accounting changes you should be aware of. On page 14 we consider the changes to accounting standards that will see all leases come onto balance sheet in 2025, a change that will have a significant impact on the look and feel of a typical set of motor retail accounts. Automotive partner, Paul Daly, also considers business planning and viability and shares his working capital management top tips on page 13.

Finally, we shine the spotlight on one of our fantastic clients, Luscombe Motors, on page 18 and look at the journey that saw 2022 Car Dealer's Lifetime Achievement Award winner, Robin Luscombe, turn £100,000 into £5.7m in 12 years.

We hope you find real food for thought in this, our 7th Automotive Outlook. If any of the topics covered prompt any questions, you will find our contact details on page 24 – our specialists will be pleased to assist and we look forward to hearing from you.

State of the market - the experts' view

The automotive retail market remained resilient during 2022 despite unprecedented headwinds. But what is in store for 2023? From pressures on both supply and demand to the impact of agency, we asked UHY automotive partner, Ian McMahon, and head of research at Zeus Capital, Mike Allen, to share their take on 2022 performance and their predictions for 2023 and beyond. Here is what the experts had to say.



Ian McMahon
Automotive partner
UHY Hacker Young

Looking back at 2022, many dealer groups will report healthy profits that were still considerably stronger than the outlook at the start of the year. New vehicle supply became more varied, with some brands returning to near normal levels (was this a positive due to the slimmed down number of derivatives in readiness for the WLTP testing burden?). However, overall the industry struggled for new car volume, and this was reflected in the SMMT data showing a new vehicle registration volume of 1.61m, 2% down year on year.

Pre-registration of new vehicles delivered to retailers by their brand partners also indicated that the manufacturers were keen to translate production into registrations by any means. Who ever said this industry was fickle!

In my mind, overarching the performance of the last couple of years are two key elements:

- The strength of the used car retail market has enhanced residual values and allowed a good level of return to be achieved by dealers who know their product. Surely 2023 will see the residuals 'cool down' to some extent.
- The reduced levels of new car registrations in 2020 – 2022 will impact the available service parc and, in connection with the acceptance of the 'lower maintenance' BEV derivative, the aftersales market could struggle. Against this however, there is a definite opportunity for aftersales with more older used cars to focus on.

From our position in the industry, as we look to 2023 there are many changes afoot.

Agency and investment

The 'A word' will be in focus for many dealers, who will be watching the relative successes and struggles of the early adopters, and no doubt the industry will learn to adapt as necessary.

For some smaller brands, agency allows a more viable business model, with sales points of representation being available with a lower initial capital outlay in areas such as display, demonstration and stocking. However, on the flip side, the ongoing significant cost of building a branded new car facility, or upgrading one to the latest Identity, must be a real challenge when considering the restricted return on your investment.

Will we see more buildings constructed as a 'generic', corporate but modular blueprint? Will the owner rotate brands as an agent, by wheeling in the latest signs to support the marque that is in vogue? Either way, commitment of capital must be a difficult decision for many, and something we believe will be key in deciding many strategic decisions over the next 12 months.

EV residual values

The decline in used car confidence in a number of EVs in December 2022 is no doubt a wakeup call to the industry that some consumers have tried the BEV model and decided it is not for them. Whilst EVs may be cheaper to run, most cost many thousands more to acquire when new, or nearly new, than the equivalent ICE derivative. Couple this to a market where the residual value (RV) has become less certain and the cost of borrowing has increased, the monthly cost may not be bearable for all.

The incentives of EV as a company car or salary sacrifice arrangement are terrific, but I would not want this to be at the expense of an artificial demand cycle, which then turns into a confidence challenge for the industry as a whole, as RVs weaken, and the private owner driver cannot see value over the Whole Life Cost (WLC) of the ownership proposition.

Overheads and cost of living

Even in a strong performing market, the cost of utilities, borrowings and increases in the cost of labour will have a key impact on the net profit retained by a retailer. Couple this with some uncertainty over new car volumes, and furthermore permitted margins, and it is not hard to see how the 2023 performance is likely to be at a level of around 70 – 80% of 2022.

2023 will certainly not be without its challenges but the retail motor sector is robust and, time after time, the industry has demonstrated its ability to evolve. In many cases, better than the start-ups who seek to exploit a marketplace that is often not fully understood in terms of its complexities and nuances, but that is what makes it so interesting.



Mike Allen
Head of Research
Zeus Capital

The financial performance across the motor retail sector, in general, was healthy coming out of various COVID lockdowns, and we all knew that the used car price performances of 2021 were never going to last. As a result, at Zeus Capital we had been careful not to extrapolate the super normal profits generated into 2021 into 2022 forecasts and, on average, assumed PLC dealer group adjusted profit before tax (PBT) forecasts would be 42% below 2021 peak levels. Nevertheless, high super normal profits resulted in strong cash generation, leaving most dealer groups with net cash positions (ex-leases) going into 2022.

Most PLC groups typically performed well operationally during 2022. However, data for the four main listed groups (Lookers, Pendragon, Vertu Motors and Motorpoint) shows a wide dispersion in PBT with both Lookers and Pendragon benefiting from restructuring gains made during COVID-19, but Motorpoint suffering several profit warnings during the year. Looking to 2023, we see a range of outcomes again, albeit for different reasons. For example, Vertu will benefit from a contribution from Helston, while Motorpoint is expected to benefit from organic expansion.

On a like for like basis, it will be tough for motor retail groups to exceed their financial performance of FY23 vs FY22. Not only are cost pressures ongoing, particularly on the labour side and with energy costs, but a big pressure for FY23 will be the impact of rising interest rates on debt levels. While balance sheets are generally strong, motor retailers having a balance of a number of debt levels from consignment stock, used car stocking loans and lease liabilities. Most dealers face several hundred million pounds of such financing in total; therefore, further 50bps of interest rate rises soon add up and create pressures on interest costs. This also causes demand-side pressure for the consumer, who also faces higher APR interest cost pressures when they purchase their next car, which can be a shock when comparing this to 2018/19 levels – quite a different world to the one in which we're currently living.

Despite the demand-side pressure, we all know the used car market has been supply driven for the last couple of years so where there is stock and supply, there is generally demand and sales. Whilst demand is likely to soften, unless there are significant external factors we can't yet predict, we do not foresee a risk of a crash on the horizon.

Indeed, we anticipate global supply chains will remain disrupted throughout 2023, albeit there are some signs of improvement with certain brands that have been proven to have more nimble supply chains than others. That said, we believe it could take up to five years for the new vehicle chain to normalise back to pre-pandemic levels, if it does at all. An interesting sub-theme within this is the impact new Chinese brands could have over the coming years as they target Europe, with the US becoming unattractive due to the high 25% import tariffs.

It is clear that the industry in 2023 could face another perfect storm of ongoing supply pressures with deteriorating demand as the cost-of-living crisis and economic recession starts to bite. However, the established dealer groups have faced significant challenges and have robust balance sheets and strong management teams that can quickly adapt their businesses in a crisis. Of course, against a challenging backdrop, we will see significant change with the birth of agency and ongoing growth in EVs.

2023 will not just be about risks and challenges in our view. We also see opportunity through change, and those most nimble dealers will spot opportunities throughout the supply chain in nearly new, used cars; finance and aftersales will typically triumph. We anticipate that most of the PLC Groups will be in this category and adapt, grow, consolidate, and continue to churn out a respectable financial performance.

Mike Allen is a much-respected figure in the automotive industry with over 20 years' experience of looking at, and writing about, the listed dealer groups. He is a Board Member and Head of Research at Zeus Capital, an independent investment banking operation providing advice to clients across a range of sectors.

Zeus has raised over £6bn of debt and equity capital for its clients since 2013 and ranks 1st across its peers in terms of IPO funds raised on AIM over the last five years.

To read more from Mike and the team at Zeus, visit their research platform on the Zeus Research Portal at <https://zeuscapital.co.uk/log-in/research-portal-login/> or contact Mike at mike.allen@zeuscapital.co.uk

The current and prospective transactions market

As 2022 began, the threat of lockdown once again loomed so it was a huge relief to everyone when not only did the UK avoid a new lockdown, but all remaining restrictions were also lifted.

With dealer groups beginning the year with record low levels of stock, substantial cash balances and, in the main, very large order banks, it posed to be an interesting year ahead for the market.

Against this positive backdrop, the dreaded 'agency model' was becoming a more talked about concept. Coupled with certain brands openly looking to reduce their network representation, the cost-of-living crisis and economic downturn, uncertainty was undoubtedly going to have an impact on transactional activity. Even so, deal levels for the year stabilised at a similar level to 2021, with 32 transactions being completed during the period and plenty of rumoured activity ongoing as 2023 began.

THE HEADLINES

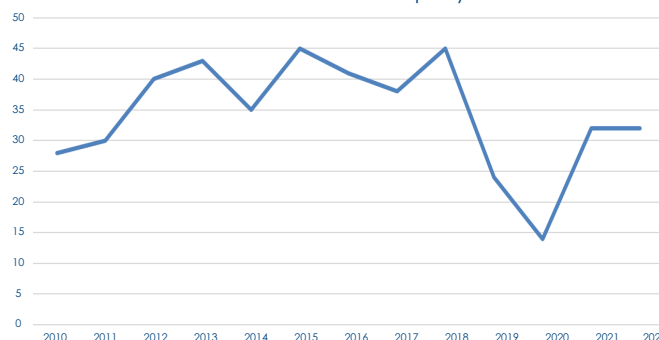
2022 at a glance

- **Transactional activity consistent with 2021**, however, a large number of potential deals remain in the pipeline or stalled due to manufacturer reorganisation objectives.
- **Two headline-grabbing deals completed**; with Helston Garages being acquired by Vertu Motors PLC for £182m and Specialist Cars BMW being acquired by Sytner.
- **Hedin and Lithia in the wings?** It is no secret that both international groups took a serious look at Pendragon and Lithia are now in talks with Jardine. Could new entrants shake things up for the better?
- **Strong international interest remains** with the pound still at a very attractive value and multiples remaining lower than the majority of regions, the UK is a great opportunity for international expansion.
- **Goodwill ranges are larger than ever**, with some acquirers taking a much more cautious approach to potential headwinds, whereas others see huge opportunity and want to secure new business opportunities.

Outlook for 2023

- **Potential for further consolidation**, with a number of OEMs such as Stellantis and VWG stating their intentions to substantially reduce the number of network partners.
- **Economic stability forecast by mid-2023** will likely lead to increased transactional activity and owners considering an exit after three phenomenal years of profitability.
- **Mega deals may return**, with the PLCs looking extremely good value and rumours around some of the larger groups potentially open to an exit.
- **Cazoo survives or not?** A day doesn't pass without Cazoo grabbing some sort of headline. Will 2023 be the year where we see it fail, or will someone take it private and build on the huge brand that has been created, perhaps integrating into an existing retail model?

Number of deals per year



After 2021 being a record breaker profitability wise for the majority of dealers, it was always anticipated that 2022 would be a little more challenging. For many, this was the case, however profitability levels remained at substantially higher levels than during the more normal market of 2017, 2018 and 2019 pre-COVID.

No longer can 2021 performance be ignored from valuations. It now forms part of the relevant period to be considered alongside strong results in 2022 and solid 2023 forecasts, underpinned by large forward order banks.

Multiples do not appear to have changed dramatically. However, consideration has to be given to the likely profitability of a business should any of the brands represented be considering the agency model, future CAPEX requirements and, of course, current vehicle supply over the next 12-24 months.

It appears that OEMs are looking to exit the retail market, with both Nissan (Westway Group), Renault Retail Group and Mercedes Benz Retail exiting a number of their locations during the course of 2022. Will we see other OEMs follow suit? It certainly appears to be an increasing trend across the UK market.

We also saw more interest from dealer groups on used car opportunities (HPL Motors sale to Marubeni being a highlight in late 2022), and alternative vertical business opportunities such as finance brokerages and leasing brokers. This highlights that many believe diversifying away from the sole franchised dealer model is a good risk mitigation strategy.

Deal levels for the year stabilised at a similar level to 2021, with 32 transactions being completed during the period

The outlook for 2023

Further consolidation

It feels that more than ever we will see much more consolidation taking place across the market. A number of brands have openly stated they will be reducing their network partners and economies of scale are more important than ever. It certainly is a time to ask the question 'do I go or grow?'.

General economic outlook

Having traded through 2022, many will be extremely pleased with their financial performance. Against that backdrop and with many economists now forecasting a shallow recession and a likely improvement in the general economy, with inflation forecast to be back down to 3-4% by the latter parts of 2023, we can see this creating a surge of activity with dealers feeling much more optimistic and confident to expand and utilise excess cash sat on their balance sheets.

Distressed opportunities

With strong profitability for over two years and talk of economic headwinds not being as bad as once predicted, it may be that we do not see a huge number of distressed opportunities coming to market. That said, huge increases in energy bills and the supply of new vehicles returning will put pressure on profitability and cash balances, and so dealers need to keep their finger on the pulse. One thing for certain is that the industry will not be a licence to print money like it was in 2021 and parts of 2022.

As 2023 unfolds....what lies ahead?

Deals over the past couple of years appear to have taken longer to complete than previously, for no real reason. This means there are deals in the offing yet to be announced, as well as many ongoing discussions that have been encouraged by the manufacturers and are yet to reach a conclusion. The big questions are whether some of the OEMs will terminate franchisees if they do not transact with their preferred partner, and what agency means for the long term viability of certain locations. As 2023 unfolds, this will become clearer and it is likely to have a direct impact on the transaction activity we see across the sector.

Strong demand remains for the right businesses, in the right location with the right portfolio. Smaller dealerships/dealer groups will remain an attractive bolt-on for the regional players, whilst the larger groups may tempt the fancy of our existing large PLCs and privately owned groups, or even the internationals waiting patiently. As ever, never a dull day in the automotive marketplace and 2023 will no doubt be a very interesting one to watch.



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Smooth running or a rocky road?

Auto Trader's 2023 market forecasts

As the UK's leading digital automotive marketplace, nobody in the market can combine data from the largest pool of vehicle sellers with the depth of consumer behaviour in quite the way that the team at Auto Trader can. So we asked Auto Trader to contribute once again to our Automotive Outlook and to share their insights about what they expect to see during 2023. Here is what they had to say.

New car sales on the up, but only if supply shortages continue to ease

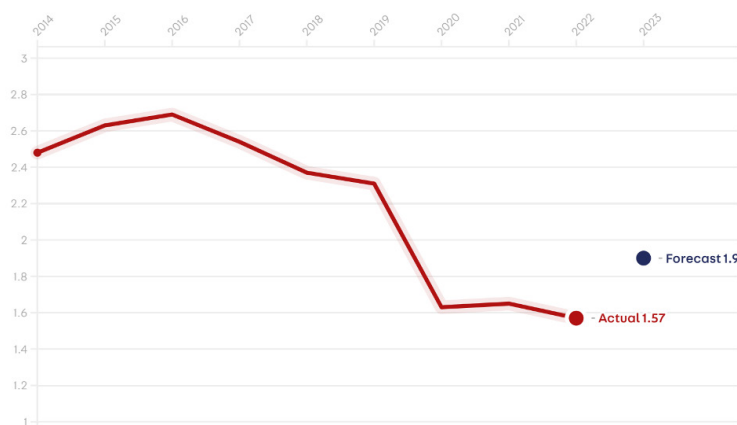
The last few months have seen new car transactions increase on a year-on-year basis and we expect this to continue for at least the immediate future, with new car sales expected to grow 22% year-on-year in 2023.

Our analysis predicts circa 1.9 million new car registrations this year, which marks an 18% fall on pre-pandemic 2019 levels (and below the mid-term average of 2.4 million cars), but a positive 22% uptick on the circa 1.6 million registrations in 2022, as well as the two years previous.

However, this target is largely dependent on levels of supply into the market, which has been constrained for the last three years by global shortages of vital parts, as well as COVID-related closures, some of which remain unresolved but are anticipated to ease during the year ahead.

New car transactions

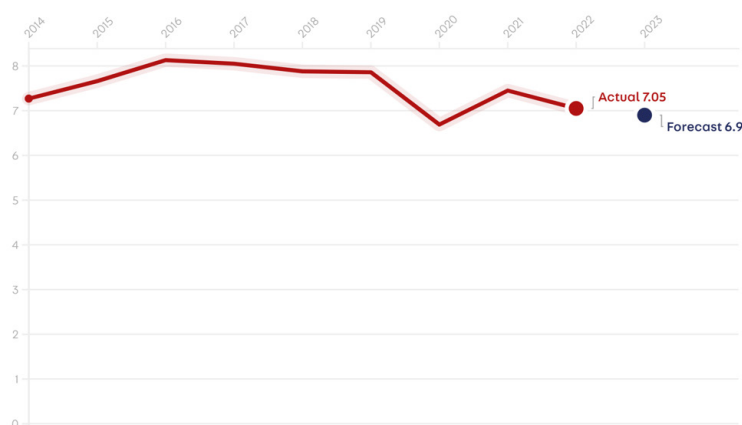
2014 - 2023, Millions



Of these new car registrations, we are forecasting that 19% will be for an EV. This is a downgrade on our original forecast for new EV transactions over the next decade as we saw a decline in demand over the latter half of 2022, something which may persist this year.

Used car transactions

2014 - 2023, Millions



Used car sales to remain flat as 'lost' new car sales hamper growth

New car supply will also be a major influence in the used car market. To date, an estimated 2.5 million new car registrations have been 'lost' since the start of the pandemic which, due to typical three-year finance cycles, will begin to significantly reduce the availability of younger second-hand stock this year. Whilst this shortage of 0-1 and 1-3-year-old cars will impede sales, we predict the market will be in the range of 6.8 – 7.0 million used car transactions in 2023, similar to 2022's performance.

This is due to the fact that we believe levels of car buying demand will be partly shielded from economic pressures due to unique macro factors. This includes the huge backlog (circa 500,000) of people waiting for a driving test, the current disruption in public transport (cited by 50% of respondents in our research as being a crucial factor to owning a car), and the combined five million lost new and used car sales which still leave a level of unsatisfied pent-up demand in a market that's been constrained by supply.

What's more, cars are, for most people, a fundamental need rather than a discretionary luxury, which was highlighted in some of our recent research, with more than three-quarters (77%) of car buyers needing a car to get around (up from 71% in pre-pandemic February 2020). And with strong levels of employment projected to continue throughout the year, it's unlikely the car will be the first thing to cut. With these factors combined, robust levels of consumer demand should be sustained throughout 2023.



Then and now – today's market in a stronger position to withstand a recession

During previous recessionary periods, there was an incredibly strong pipeline of new cars entering the market via manufacturers, retailers, and fleets, all of which would in turn flow into the used market. Due to the abundance of stock, brands and retailers spent heavily on discounting and marketing activities to stimulate demand for both new and used cars. It meant that once recession hit and demand began to wane, there were few 'levers' for the industry to pull to stimulate demand.

In contrast, today's retail market is heading into a potential recession in a far stronger position. Due to the huge shortfall of supply, marketing activity has been dramatically reduced, and with average new and used prices rising significantly since 2019 (up circa 20% and 47% respectively), discounting hasn't been necessary. Accordingly, brands and retailers today have many levers still available to them during the year ahead. What's more, with a very strong order bank of new cars (approximately six months), the industry has a strong cushion to help absorb any potential softening in demand, putting it in a strong position to weather the potential economic storm.

To read other insights from Auto Trader, visit <https://www.autotraderinsight-blog.co.uk>



Auto Trader Insight



ATInsight

Franchisee vs agent - the sea-change within the automotive retail sector

Arguably, the main change currently taking place within the automotive retail sector is OEMs compelling their dealers to move away from the traditional franchise model, to either 'pure' agency or hybrid models (franchise and agency combined).

Many dealers remain unaware of how the transition to agency might affect them and are unsure of their rights when faced with the threat of termination by the OEMs. The transition to the agency model is likely to have a significant impact on the future direction of dealers' businesses and one upon which it would be prudent to seek legal advice. Accordingly, we asked Richard Coates, Partner and Head of Automotive at national law firm, Freeths, to shine the spotlight on just some of the legal implications of agency and what it could mean for your dealership.

Franchisee or agent – the differences

The franchise is the traditional business model within the retail motor sector. Under that model, the dealer acts for itself in negotiations with the end customer and has the right to market products or services using the trademark or trade name of the OEM (who is the franchisor).

Under an agency model, the dealer is legally empowered to represent the OEM in negotiations but does not have the right to negotiate on, nor enter into, contracts directly with customers. The table below sets out some of the key differences between a franchisee and an agent.

Action	Franchise model	Agency model
Price-setting	The retail price of the vehicle can be set by the dealer	The retail price of the vehicle is fixed by the OEM
Contract	The contract is between dealer and customer	The contract is between the OEM and customer
Stock	Stock is owned by the dealer	Stock is owned by the manufacturer
Branding	Specific costs associated with the brand, such as signage, are borne by the dealer	Specific costs associated with the brand, such as signage, are borne by the OEM
Customer negotiations	Dealers can discount cars by 'giving away' some of their margin	Dealers cannot discount cars by 'giving away' the manufacturer's margin



The latest – Group Action Claim brought by Mercedes dealers in Australia

In Australia, a number of franchisees are standing their ground in the face of a forced transition from franchisee to agent.

In particular, 38 out of 55 Mercedes dealers have brought a class action claim against Mercedes, seeking 650m Australian dollars (£373 million) in compensation. The damages being sought are to cover investment, equipment and goodwill. Deloitte carried out an impact model in March 2019 which showed that one particular dealer's profits would be cut by more than 50% following the transition from the franchise model to the agency model.

Franchisees invest considerable time and huge amounts of money developing their businesses. Naturally, there is concern about what happens to this investment if the OEM; (1) terminates the dealer agreement and seeks to transition to an agency model, against the franchisee's wishes; or (2) fails to compensate dealers for their goodwill.

Hybrid agreements

Certain OEMs are seeking to implement agency agreements that are designed to straddle both business models, by portraying dealers as both franchisees and agents. These are being referred to as hybrid agreements.

There is a risk to affected dealers that this could result in them potentially getting the 'worst of both worlds', where, for example, they carry the risk of having stock in their possession without the benefits of owning it.

Further, there is doubt as to whether such hybrid agreements are legally enforceable. Where an OEM seeks to combine the two business models for its own benefit, this is likely to render the hybrid agreement outside the block exemption from EU competition legislation. Accordingly, such agreements could be open to scrutiny for non-compliance with competition law.

The transition to the agency model is likely to have a significant impact on the future direction of dealers' businesses

What next?

It is expected that most OEMs will seek to transition to some form of agency model in coming years. Whilst the impact of this transition on the automotive retail sector is not yet certain, it is imperative that dealers understand what the transition means and how it might affect them.



Richard Coates
Partner and Head of
Automotive, Freeths LLP

Richard leads the Dispute Resolution Team at Freeths in Birmingham and is National Head of their automotive sector. He works with a significant number of retail motor clients on a variety of matters. Richard advises on a wide range of commercial litigation matters – specialising in corporate and commercial issues, contractual disputes, professional negligence claims, corporate governance and directors' duties. Most recently he has been advising motor retailers on the risks associated with the increase in agency models and assisting with disputes for those who are seeing terminations of their dealership agreements by OEMs. If you would like to know more about the legal structure of agency and how it could affect your dealership, please contact Richard on +44 (0) 345 128 7972 or at Richard.Coates@freeths.co.uk



Impact of agency on profitability and valuations

It is without doubt that agency, whether hybrid or full, is creating uncertainty within the market. Dealers with brands that have openly stated they will not be going down the agency route are becoming more attractive acquisition targets, simply due to there being more certainty around future profitability and Return on Investment (ROI). In this article, we consider the impact of agency on profitability and the methods used for investment appraisals.

Valuation methods

There are two key methods of valuation currently in use. The first being the tried and tested 'net assets plus goodwill' method and the second being a more sophisticated earnings based method that seeks to achieve a desired rate of return for a given level of investment.

Agency models will impact on both methods, but particularly the second where the perceived level of investment changes as well as the profitability model. Of course, this is true only of a genuine agency model and we are aware that many brands appear to be considering a hybrid approach at this stage. With a hybrid approach, certain stock categories (typically demonstrator and new vehicles) will come off the dealer's balance sheet, whilst others (typically used cars and parts) will remain on balance sheet. Crucially, investment in facilities, fit out etc. appears also to remain the responsibility of the dealer – a reduction in valuation results.

To understand the context of the impact it is also necessary to provide a little more background on some of the nuances of valuation calculations that are currently used for earnings based methods. These tend to focus around three critical areas:

- 1. Property.** The ownership or leasing of property is a critical factor in the level of investment required to operate a motor dealership. The paradox being that if the same valuation multiple is used, a higher level of goodwill is calculated for a leased operation (since the investment in tangible assets is lower). Typically, this is reflected by utilising a higher multiple if there is a significant element of freehold or, more correctly in our view, assumptions are made around a suitable notional rent on the freehold element, with the property itself being valued separately from the motor business.

If the level of property investment in a post agency world reduces, generally we would expect the level of goodwill generated to increase over time. If a genuine agency model is opted for by a particular brand, a substantial level of existing and future investment in supporting retail standards, fit out etc. should come off balance sheet. Again, all being equal, this would enhance the goodwill valuation.

- 2. Stock.** Vehicle stock in particular is a major component of the typical motor retail balance sheet. However, in the UK there is widespread availability of cost-effective stock finance, particularly for new and demonstrator vehicles. Even cash rich businesses tend to opt for this wholesale finance as it includes a free stocking period. The resulting liabilities are usually treated as part of working capital rather than debt, and any charges for the use of that finance treated as an operating cost and not added back to Earnings Before Interest, Taxation Depreciation and Amortisation (EBITDA). Consequently, in a post agency world, the impact of stock coming off balance sheet is effectively already reflected in most existing valuation techniques, and we anticipate limited impact.
- 3. Debtors.** The levels of vehicle debt are typically quite modest; again limited impact is expected from agency unless there is a large element of fleet sales which tend to have credit terms attached and currently stretch out debtor days absorbing cash. Post agency, such debts would fall within the manufacturers own balance sheet.

Profitability

Valuation models rely on the assessment of ongoing sustainable profits. This assessment is currently the most challenging element of a valuation due to the volatility of earnings we have seen in the period 2019 through 2022 and moving into 2023 forecasts. Add in further ambiguity over profitability attributed to a move to agency (as well as electrification impact on aftersales and general moves to reduce network size), and we have a potent cocktail of uncertainty.

Until the impact of the agency model is fully understood, we expect there will be a degree of negativity around valuation for brands pursuing this type of distribution. Indeed, we are seeing this in practice with dealer groups heavily exposed to agency looking to balance their portfolios with a greater representation of those brands that have announced they plan to continue under the current franchised model.

Not all aspects of the move to agency are seen as having a negative impact on business valuations, however. We firmly believe that for the lower volume, and potentially more 'niche' brands, a 'true' agency approach will yield a positive impact and potentially a higher valuation. For such brands, the ability to display, sell and represent the marque, without a significant 'on-cost' would be seen as a positive, especially in the constrained current new car marketplace. Or, in another context, the ability to represent a wider new car sales market, with no significant additional capital investment.

We also expect the balance of direct profit generation between car sales and aftersales to shift, with more focus on the 'non-sales' related income streams, as operators look to balance their returns on the investment made in facilities. We are confident the operator who adopts an entrepreneurial mindset can make positive improvements to how their Return on Capital Employed (ROCE) is reported, by offsetting any reduction in new car sales gross profit (less any franchise related cost savings on demonstrators and marketing) by generating additional income streams from typically higher margin aftersales, or complimentary services such as vehicle rental, all makes servicing, concessions and EV charging etc, which would then offset any fixed cost base currently committed.

Leading this through to the earnings based valuation model, we would expect this to have a positive effect on the return on capital.

One other obvious shift under true or 'hybrid' agency arrangements will be how sales of new cars are recorded. No longer will the 'price' of the vehicle sale be shown in full, as a sale, but just recognition of the commissions received for making that sale. Return on sales percentage in the typical dealership should, therefore, be expected to increase; however on a year to year basis, this change will be difficult to compare in relative terms.

Choice of multiple

The final key determinant of a valuation is the choice of multiple used. We do not expect a significant variation in valuation multiples unless the agency agreement materially alters the current balance of power between dealer/agent and manufacturer. At this stage we have not seen sufficient detail in new agency plans or contracts to determine the facts. Our expectation (particularly under a hybrid agency approach) is that multiples will remain broadly in the same range as we see today.



We expect the balance of direct profit generation between car sales and aftersales to shift as operators look to balance their returns on the investment made in facilities

Is cash still king for car dealers?

The stock market crash of 1987 prompted the Swedish CEO of Volvo to immortalise the phrase “cash is king!”. The mantra was widely adopted by the retail motor trade where large stock and debt balances could quickly cripple an otherwise successful business and finance functions made an art of fine tuning the vehicle sales process to maximise cash generation.

Working capital requirements were high, particularly as oversupply became more prevalent in 2017 to 2019, but cash controls and disciplines were strong and the business failure rate from 2010 onwards was low.

Then COVID-19 hit. Far from the expected succession of problems, dealers found themselves sitting on increasingly significant cash reserves, buoyed by a combination of generous government and manufacturer schemes, as well as a material reduction in vehicle sales volumes. A profitable cash generative period followed and, as we stand today (assuming the profits have not been extracted), it appears all is well with the world from a cash perspective.

Is this the new normal post COVID?

We don't think so. Discussions with dealer groups indicate that supply is starting to return to the market in significant volume across several brands. The sales rate is expected to pick up with the SMMT predicting 1.8m vehicles registered in the UK in 2023, rising to 2m in 2024. Whilst this is some way below the market peak in excess of 2.5m units in 2016, it is still over 20% higher than the 2022 new vehicle volume of 1.6m.

In addition, there is the burden of the huge increase in prices that have occurred post pandemic in both the used and new vehicle markets. A combination of high demand, inflation and increasingly high specification vehicles (especially EVs) being the key reasons behind these increases. Our broad estimations are that 2022 turnover for a typical business (in total) will be in line with 2019, despite the substantially lower volumes being processed in 2022. These higher unit prices naturally bring an additional working capital burden.

Cash consumption is also on the rise for those brands planning an upgrade to their corporate identity. Following a period of relatively modest activity in this regard, it appears corporate identity pressures are starting to increase again.

Is agency going to help?

It certainly seems that way, based on our understanding of how the agency agreements will work. Consigned vehicle stock will no longer be held on balance sheet, which should be broadly cash neutral. This assumes that the brand concerned is not hooked on the VAT drug of a VAT invoice being provided when the vehicle is consigned, in which case there will be a significant cash outflow in the transition to agency.

On the benefit side, the need to pay in full for new vehicle stock will be removed and there will be working capital benefit from not handling the physical sale to the customer (especially fleet), as well as not having to wait for receipt of any related manufacturer bonuses.

What else can I do?

The words 'cash flow forecast' seem to strike fear into the heart of many a car dealer. But it is fundamentally a good discipline in both good and bad times; good, as it is a difficult discipline to implement quickly when the chips are down, as well as ensuring cash is being used as effectively as possible. In addition to day-to-day forecasting, we would also recommend a longer term exercise is undertaken to envisage a scenario three years down the line where vehicle volumes are closer to historical norms. Such an exercise will give an indication of what cash facilities may be required, and enable you to plan accordingly.

Working capital management top tips

1. Dust off the old ways of doing things. Perform some checks to assess which processes are still in place within your business. If day-to-day disciplines have slipped during the COVID period, now is the time to revisit them. Hope for the best, plan for the worst!
2. Review the entire working capital cycle from purchase of vehicle through to sale and cash collection. Are there any opportunities to make the process more efficient? Typical areas of opportunity include:
 - a. Vehicles in stock that have missed being funded
 - b. Slow liquidation of trade stock
 - c. Disciplines around timing of obtaining customer retail finance are not optimised
 - d. Poor credit control over fleet debts and not taking advantage of delayed debit arrangements with manufacturers for fleet vehicles.
3. VAT is a big driver of cash flow. Consider whether the quarter end is appropriate and minimises the peak cash demand.
4. Target specific levels of vehicle stock and ensure the business units remain within these targets.

Need help?

If you need help with cash flow forecasts, scenario setting or general advice, please contact one of the experts listed on page 24 or your usual UHY adviser.

All leases to come onto balance sheet in 2025

The Financial Reporting Council (FRC) has published its long-awaited Financial Reporting Exposure Draft (FRED) 82 which proposes significant changes to UK GAAP accounting requirements, bringing them into line with IFRS Accounting Standards. The changes are extensive and will have a significant impact on motor retail accounts.

FRED 82 proposes the following principal amendments:

- The lease accounting requirements in FRS 102 for lessees will be based on the on-balance sheet model from IFRS 16 Leases. **The impact is expected to be significant on the motor retail sector.**
- The accounting requirements for revenue will be based on the five-step model for revenue recognition from IFRS 15 Revenue from Contracts with Customers. The extent to which this will change an entity's revenue recognition in practice will depend on the form of its contracts with customers. In the motor retail sector, we foresee changes primarily in revenue recognition for ancillary services such as warranty sales.

The changes are proposed to be implemented for accounting periods commencing 1 January 2025.

Impact on the motor retail sector of leases on balance sheet

The new leasing standard will have a significant impact on the look and feel of a typical set of motor retail accounts. The main benefit will be that both profit and loss and balance sheet statements will be much more comparable between companies. The significant variances in motor retailers' accounts due to the level of freehold versus leasehold property in use will no longer be present. It will also remove the inconsistency in treatment between those who account under international standards (mainly the listed plc motor retailers) and those under the UK standards.

Currently a simple leased property is accounted for with rent going through the operating expenses in the profit and loss account. Under the new standard, an asset and liability will be introduced on the balance sheet for the value of the 'right of use' of the asset and the present value of the future lease payments. Rather than a rental expense, the profit and loss will have the depreciation of the 'right of use' asset as well as an interest charge on the liabilities.

As a result, the calculation of EBITDA (earnings before interest, tax and depreciation) under the new standard will result in a very different value for a business that has any material level of leased assets.

A few commercial implications

Many lending arrangements and banking covenants require compliance with ratios of EBITDA, interest cover etc. These will need to be revisited and either the metrics changed or IFRS16 reversal adjustments considered. Our current experience of IFRS16 is that it can cause confusion and it is not unusual for lenders to seek calculations of a reversal back to traditional accounting methods.

At present, it is common practice to use different valuation multiples for company valuations, depending on the type of property ownership. These multiples and valuation methods will need to change going forward, creating additional uncertainty.

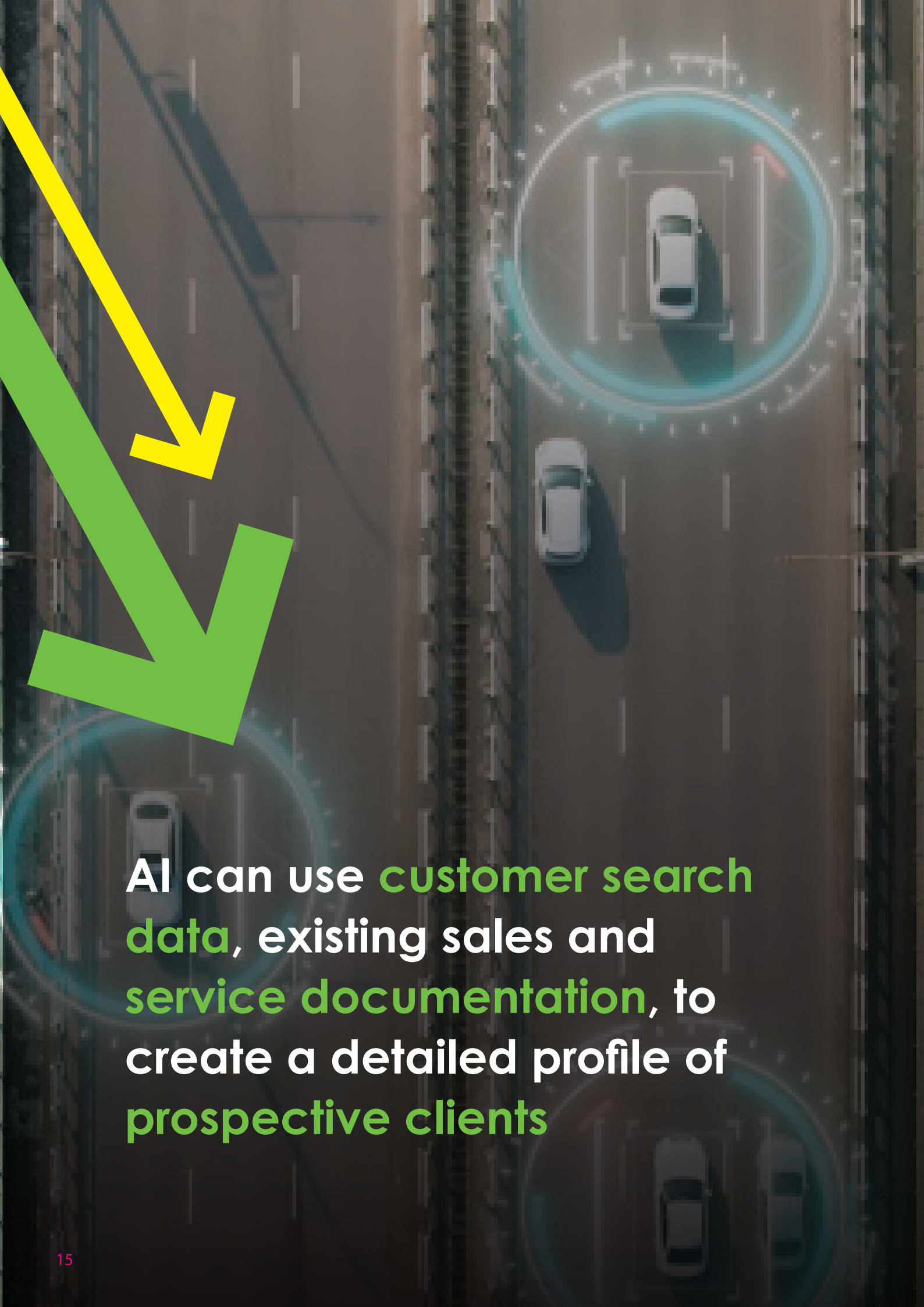
Decisions will need to be made regarding management accounts and whether to incorporate the new way of accounting into them, which will have a consequential impact on bonuses and pay plans.

Many long term incentives, shareholder agreements and articles of association include references to EBITDA per the audited statutory accounts as a method of calculating value for some future event. These may need to be revisited to avoid confusion and disputes in the future.

IFRS16 has alternative implementation treatments that can have a significant impact on both the opening balance sheet and future profit and loss presentation. Opting for the treatment that best suits each company's circumstances will be a critical exercise for businesses and their advisers, assuming these alternatives remain in UK GAAP.

What next?

Whilst currently only a draft proposal, these changes have been long predicted and, in our view, are likely to be implemented in line with the proposed timetable (from accounting periods commencing 1 January 2025). Those businesses with significant reliance on leases, especially property, as well as ancillary revenue streams such as warranty sales, should carry out an impact assessment sooner rather than later. This will ensure you are well prepared for the forthcoming changes and have sufficient time to implement the new standard to the best benefit of the business.

An aerial view of a multi-lane highway. Several cars are visible, each surrounded by a glowing blue circular AI detection overlay. These overlays contain rectangular bounding boxes and various sensor-like icons (like radar or lidar waves) around the car, representing computer vision or autonomous driving technology. On the left side of the image, there are two large, thick arrows pointing downwards: a yellow one on top and a green one below it. The text is overlaid on the bottom left of the image.

AI can use **customer search data**, existing sales and **service documentation**, to create a detailed profile of **prospective clients**

The AI wave is coming, will your dealership ride it to the top?

In the past decade artificial intelligence (AI) has made major advancements, but does it have a place in automotive retail?

We think it does. From automating finance processes to improve accuracy and save time and costs, to automating the front-end sales and marketing processes it would appear that AI is the next step to streamlining processes and workflows to improve customer experience.

According to a September 2022 survey by NexBotix, a UK based AI software provider who specialise in the automotive sector, only 25% of top UK automotive firms have deployed automation technology. Yet those who do use AI reported a 50% reduction in costs for a task, compared with manual processing.

How AI can help your dealership

Many dealerships are unsure of how to integrate AI into their processes, but certain aspects of the technology already fit perfectly with a vast list of finance processes, ranging from vehicle invoice processing to purchase invoice generation, bank statement reconciliation, vehicle parts invoice processing; the list goes on. We have seen some fantastic demos of finance related AI systems and can make introductions to suppliers, if of interest. However in this article, we are going to shine the spotlight on the use of AI during the sales process.

Lead generation

Similar to algorithms that predict customer desires, like episode recommendations on Netflix, AI can use customer search data, existing sales, and service documentation, to create a detailed profile of prospective clients, identifying what they value most from their vehicle and whether they are currently in the market. This allows AI to identify leads that may not be obvious to human eyes.

These leads can be ranked by strength, and pursued by salespeople, using a personalised approach to target that customer's needs. So, not only can AI be more accurate at identifying leads, but it also saves a massive amount of time for sales teams, allowing them to focus on more valuable tasks, like closing sales.

Making sales

Aside from the abundance of personalised data that AI can collect and contextualise for sales teams, there are also new and exciting developments launching on a regular basis.

ChatGPT was a bombshell in the AI community when it was announced at the end of last year, and for good reason. The software is fundamentally what every chat bot wishes it could be, demonstrating incredible feats of intelligence like passing all the exams necessary to become a lawyer in the USA.

We posed this question to the AI: "I am a car salesman. I have a prospective customer who has four kids and is looking for small but functional car to use in the city. Create a short email selling a specific Vauxhall model to this person."

After three seconds this was its response...

Subject: Discover the Perfect Family Car: Vauxhall Crossland X

Dear [Prospective Customer],

I hope this email finds you well. I'm writing to recommend the Vauxhall Crossland X for your family's car needs. It's a compact SUV that offers ample space, comfort, and safety features, making it perfect for families like yours.

The Crossland X can seat up to five passengers comfortably, and its spacious boot ensures that you have enough room for your family's luggage. Advanced safety features such as lane departure warning and automatic emergency braking give you peace of mind while driving, and the car also offers infotainment options to keep everyone entertained.

I would love to arrange a test drive for you to see the Crossland X in person. Please let me know if you're interested, and I'll set up a convenient time for you to come and see it.

Best regards,


[Your Name]

Although it is not perfect, ChatGPT is still in development, this example demonstrates how it can guide sales staff in the right direction when interacting with customers, even choosing the most suitable offering itself!

After-sale care

AI tools can also be used to improve relationships post-sale with clients. They can predict possible vehicle issues, send MOT reminders, and supply personalised information to customers automatically and reliably.

There is much talk amongst every industry about how AI will change the way we work going forward. It seems it is not a question of if, but when AI becomes fundamental to all industry processes.



With a very distinctive
culture and a focus
on treating staff and
customers 'like family',
Luscombe Motors has
developed from a loss-
making problem to a multi
award winning business
achieving record profits in
recent years

Driving prosperity for Luscombe Motors

Turning £100,000 into £5.7million in just 12 years proves how driven Robin Luscombe has been since he bought his Suzuki dealership. It was a team effort, one Robin is very proud of...

In 2006, Robin was employed as operations director at a Suzuki dealership in West Yorkshire. He was hungry for success and when he met David Kendrick and Paul Daly, who now head UHY's national automotive offering, at a local franchise event, he shared his desire "to go it alone".

Paul and David helped Robin identify and consider various opportunities and, following a speculative call in 2009, the opportunity to buy Bowetts Suzuki in Leeds came about.

A leap of faith...

At the time the business was experiencing various issues, but Robin was ready to back himself, his knowledge and his skills. He was sure he could make it work but he also knew the risk was significant and he needed some help and guidance.

There's a lot to buying a business, and Robin turned to Paul and David to help ensure all financial aspects were in place. They worked together on the documentation, the dealings with the bank and with the vehicle finance companies, plus working with Suzuki themselves.

As a result, after three decades in the motor trade and 28 years' experience with Suzuki, Robin Luscombe became the proud owner of his own Suzuki business, Luscombe Motors, in 2010.

A different perspective pays off

On purchase, the business was loss-making and Robin had a long road ahead of him. Some believed the business would be bankrupt within six months, however, Robin's commitment, work ethic and ability to lead a team saw fortunes rapidly turned around. In an early boost to team morale, one of first things Robin did was redecorate. He was supported one night by all 11 original team members who stayed behind after work to collectively repaint the showroom walls!

This was the start of Robin building a team culture, one where staff are trusted to make deals with their customers. At Luscombe Motors they avoided chasing aftersales work to boost profits, preferring to do things differently. Turning the car sales rule book on its head, the typical hard sale approach was replaced with training the team to help empower customers to buy a car. With the strapline 'We

"Paul and David are not only great business advisers, but have become good friends, which cements the relationship."

**Robin Luscombe,
Luscombe Motors
Managing Director**

won't sell you a car. We will help you buy one!', the approach at Luscombe Motors was to respect the wishes of their customers and build a reputation of doing things right first time around, in the hope customers come back for future purchases.

Despite what may sound like an altruistic approach to business, Robin's model proved itself quickly by returning a profit. After the first year of trading, the business went from a loss-making position to making a profit of £163,400, testament to Robin's drive and commitment.

More big steps forward...

The business developed rapidly. In the summer of 2016, Luscombe Motors secured the freehold of the Suzuki site, along with the neighbouring Mitsubishi franchise and used car pitch. Another entrepreneurial move on the property also secured a rental income stream from a hot tub company.

Driving growth...

By 2017, Luscombe Motors was turning over £26.3 million, making a profit before tax of £1 million (up 24.5% on the previous year alone) and had accumulated a net worth of £2.8m. Considering the initial capital invested of £100k, this was an amazing achievement.

In 2018, Robin looked again to UHY for advice regarding the potential to purchase another multi-million pound site adjacent to the business which would enable Luscombe Motors to unlock its next phase of growth. With the support of our UHY automotive team, in November 2018 Robin completed this purchase and company operations expanded further with an MG franchise from 2020.

The family prospers...

This phase of development also saw Robin's son, Sam Luscombe, join the business as MG Dealer Principal and focus on group innovation and the fast-growing digital side of the business.

£2.8million turns into £5.7million...

Luscombe Motors continues to go from strength to strength and, despite the damaging effects of the COVID-19 pandemic, the business is so strong that it still made a pre-tax profit in 2021 of £1.6m and grew its net worth further to £5.7m.

From a £100,000 investment to a net worth of £5.7million, employing initially 11 people and now employing 56 people, just shows what's possible.

The right support helps build security as well as growth...

Since meeting in 2006, Paul and David have not only helped Robin secure his business but supported him during its subsequent additions and developments. Our UHY automotive team also now provide audit and tax services and have advised on the company structure, including the introduction of a holding company to de-risk the business, and introducing Robin to advisers who have set up a pension fund, which now owns two of his four freehold properties, further strengthening his financial position and delivering considerable tax advantages.

We continue to be committed to helping Robin and his businesses prosper, and this help goes far beyond the traditional accounts, audit and tax services. Robin speaks regularly with both Paul and David and often seeks their opinion about the latest automotive insights. However, the critical element to this story was getting the business off the ground in the first place.

Knowing how to present the business case to get buy-in from the Suzuki brand, the bank and other financial stakeholders, convincing them that the significant sums they were investing were secure in this new venture, helped Robin get his start as business owner. Our team's knowledge and reputation in the automotive sector has proved to be a big help to Robin.

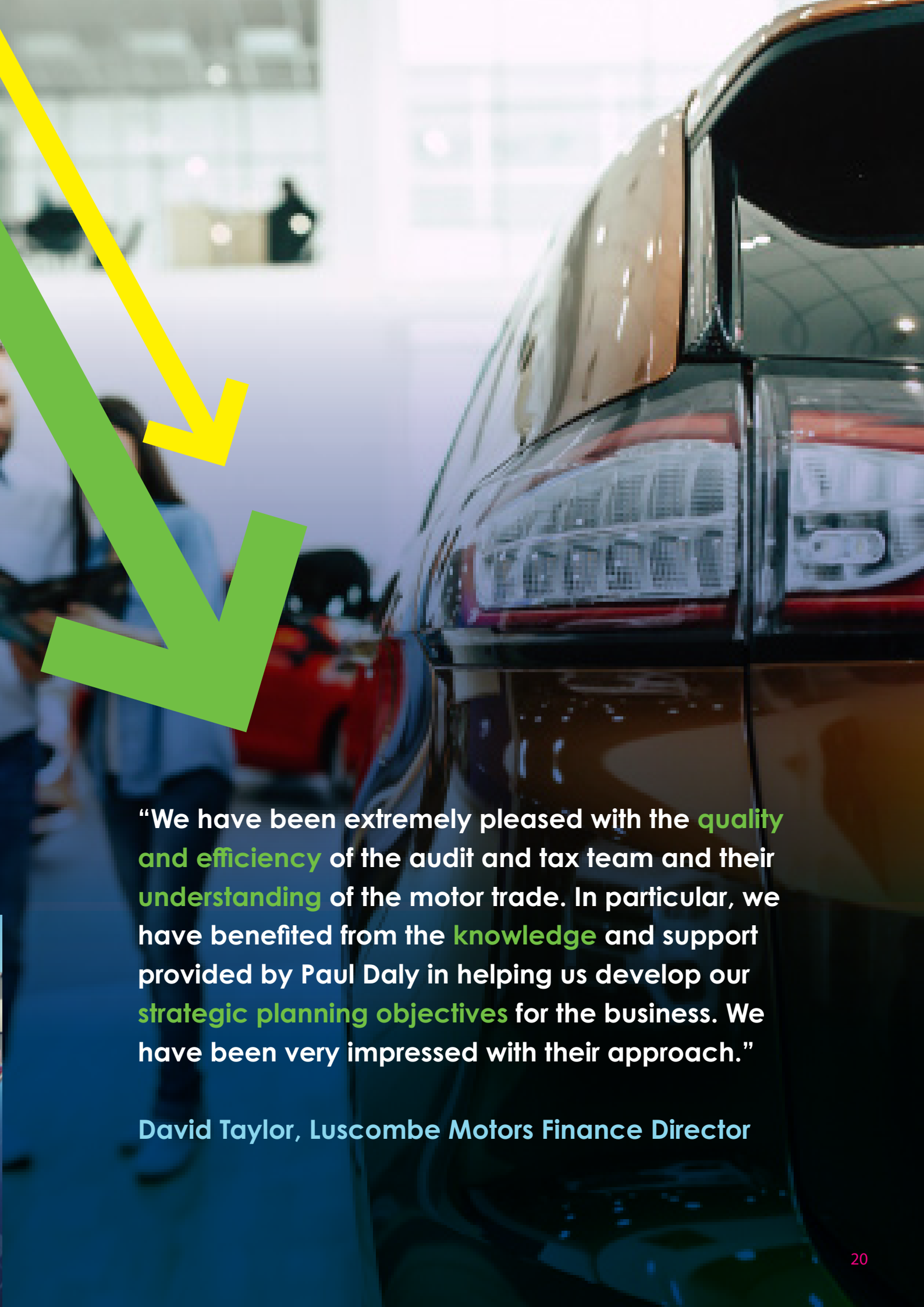
Financial results are important, but prosperity means more than money making...

Luscombe Motors has become highly regarded amongst the industry and its customers alike. As testament to this, the business has won multiple industry awards in recent years, from being named four time winner of 'Suzuki Dealer of the Year' to receiving Automotive Management's flagship 'Best Dealership' award in 2020.

With a very distinctive culture and a focus on treating staff and customers 'like family', Luscombe Motors has developed from a loss-making problem to a multi award winning business achieving record profits in recent years. Robin's robust belief that 'everyone is part of its success' has seen him develop a strong and successful management team, allowing Robin to enjoy the prosperous business he has created whilst also enabling him to indulge his passion for travel and motorcycle trials competitions.

Our UHY automotive team are very proud to have been part of the team that has helped Robin and Luscombe Motors prosper.





“We have been extremely pleased with the **quality and efficiency** of the audit and tax team and their **understanding** of the motor trade. In particular, we have benefited from the **knowledge** and support provided by Paul Daly in helping us develop our **strategic planning objectives** for the business. We have been very impressed with their approach.”

David Taylor, Luscombe Motors Finance Director

The Luscombe way

2022 was quite a year for Robin Luscombe, Luscombe Motors MD, and his team. Proving that hard work, commitment and an ethos of putting customers' needs first is the right approach, December 2022 saw the business pick up 'Suzuki Regional Dealer of the Year' for the second consecutive year.

The award enhances an already impressive trophy cabinet, with Luscombe Motors' accolades including being named Suzuki Dealer of the Year nationally four times and regionally six times, five AM Awards, five Motor Trader Awards and two Auto Trader Retailer of the Year awards.

The Suzuki award followed hot on the heels of Car Dealer's Used Car Awards where Robin was recognised for his efforts in the industry, picking up the Lifetime Achievement Award for more than 40 years' dedication to motor retail; quite an amazing achievement. Receiving the award to a standing ovation, a shocked Robin acknowledged the risks he had taken when opening the dealership in 2010 and paid tribute to those who have supported him along his journey, in particular his wife, declaring "13 years ago I gave up a very good job earning good money and my wife was brave enough to put everything on the line and gamble it on the fact I could sell cars. She gambled everything on me and I pulled it off. It was a fairly brave move and this is recognition that I never ever, ever expected."

Robin's top tips

What makes Luscombe's approach so unique? His business ethos is very much reflected in his weekly blog series 'Robin's Diary'. Penned by Robin, here are just a few of his inspirational musings from the last 12 months.


1. If you want something badly enough, no matter what it is, and you 100% apply yourself to it, you can achieve. Stick with it, dig your heels in, even if it's just to prove to yourself you can - and then use that experience to achieve your dreams.
2. One of the most difficult tasks we have in life is to make a decision, but the ability to make a reasoned decision is vital. If you have weighed up all the potential benefits against all the possible pitfalls, it's likely to be a good decision. Sometimes, however, even after due consideration, it might turn out to be the wrong call, and this is where the real skill comes in. Don't be afraid to change your plans for the better.
3. One of the secrets to gaining respect is not to involve others. If you have a problem, deal directly with the problem, do it privately and use that as an opportunity to develop, improve and nurture the relationship, by explaining the issues, not simply by

picking fault. We all do things we regret, but we must use these experiences to enhance the future, not decimate it.

4. The hard thing is to go your own way, not follow the crowd or do what everyone else does and expect a better result. This thinking is not unique to my business or my life, anyone can do it, it takes more bravery, but the benefits can be amazing.
5. Good performance isn't just about winning, especially away from sport. Good performance acts to lift spirits. Life becomes much more enjoyable when you pull together as a team, forget 'that'll do' and 'it'll be OK' and focus solely on doing your very best.
6. Even if we have no idea what's coming our way, we should all learn a very important life lesson from the last three years - plan for the worst, hope for the best, and always keep something aside for a rainy day.
7. It is almost impossible for any business to match supply perfectly to demand, but over supply doesn't benefit anyone, even the end user who thinks they have bought a cheap car, as it's all reflected in the residual value.
8. The world has never changed as fast as it is changing now. Just think about how we moved about in 1900, it hardly changed in 500 years, but is now changing at rocket pace! I think we will have options for the power source for our cars in the future. It could be a new fuel source - a green fuel, hydrogen, or electric - and, whilst I see battery cars being a large proportion, I don't think they will be the only solution.

For quick and timely bursts of wisdom to help get your focus back, or to simply affirm what you already know, we strongly recommend checking out Robin's weekly diary entries at <https://www.luscombemotors.co.uk/>. As Car Dealer's Used Car Awards host, Mike Brewer, said "I enjoy reading Robin's Diary - which is updated regularly on the company website. Well done, sir, and congratulations on a stellar career in the motor trade."





**“When I risked everything
I had in 2010 to open
the dealership, I worked
24/7 for a few years, and
nothing was more important
than making the business
successful, if not I could lose
my house.”**



Our national
automotive team is
led by partners who
are totally dedicated
to the **sector**

Our automotive experience

UHY's automotive offering was established in 2013 and today we are employed as trusted advisers to more than 70 dealer groups across the UK automotive sector.

Our national automotive team is led by partners who are totally dedicated to the sector and who, between them, have many years' experience in the motor retail industry.

The team provide a wealth of services to dealers, suppliers, manufacturers and OEMs, including audit and taxation, mergers and acquisitions, independent business reviews, operational support and many other aspects of compliance, best

practice and controls. In addition, we have a particularly strong track record of helping dealers to achieve their longer-term objectives and of helping sellers to select the right partner to ensure the successful completion of a deal.

With our fingers on the pulse of the current market and extensive experience across the breadth of the industry, we are able to draw on lessons learned and continually develop innovative solutions to the benefit of our clients; helping you make the most of opportunities and proactively identify and respond to emerging issues.

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