

A grayscale photograph of a modern car dealership interior. In the foreground, the side of a dark-colored car is visible. The background shows a long, bright hallway with large windows on the left and a potted plant on the right. Several people are walking in the distance, their figures slightly blurred.

- Coronavirus Business Interruption Loan Scheme (CBILS) Approach

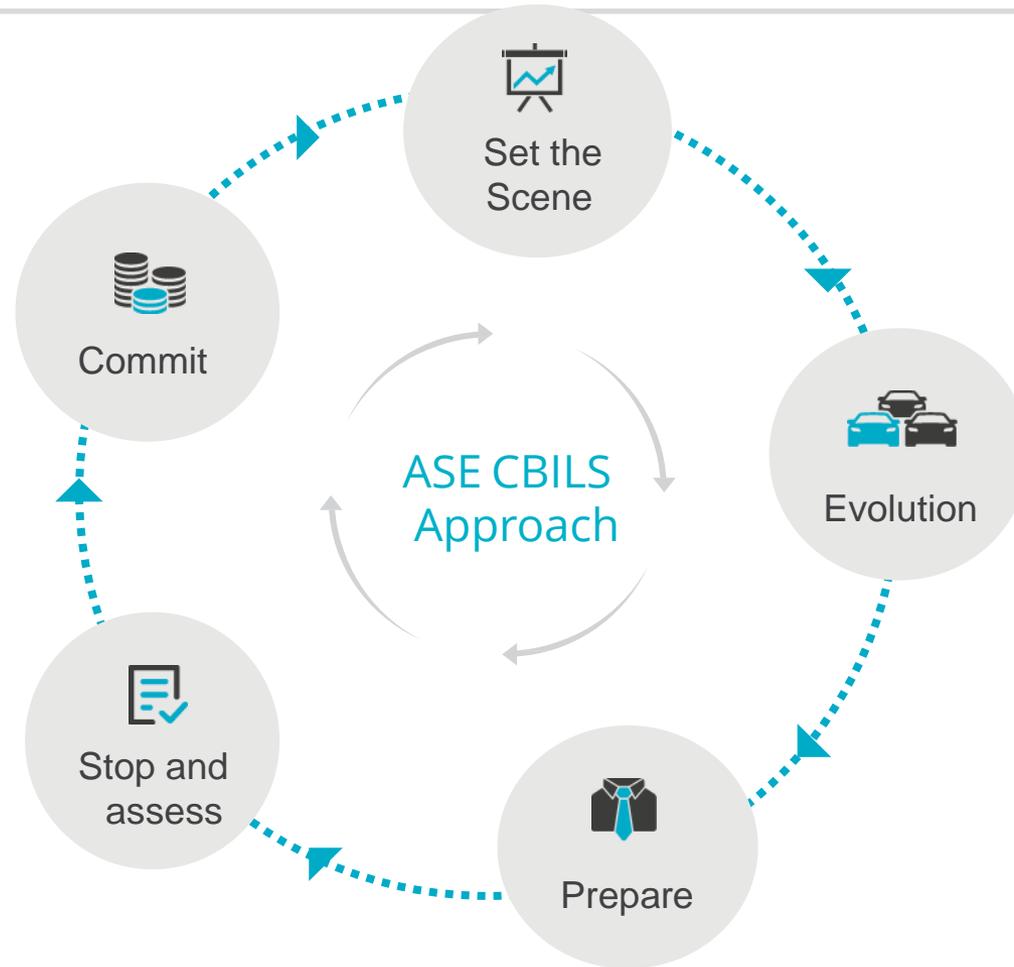
25 March 2020

Driving profitability and mitigating risk for retail automotive brands in a changing global market

● Accessing the government's loan facilities



- It seems like ages ago that the Chancellor stood alongside Boris Johnson and announced £330bn of loans which would be made available to businesses through banks with an 80% guarantee from the government.
- The larger business loans, which effectively require them to issue corporate paper, will not be applicable to the most of the motor trade. What on the face of it seemed the best route for retailers was the CBILS. Whilst we are still waiting for the exact mechanisms to be finalized, we now have sufficient clarity that we can provide guidance on what businesses should be preparing in order to apply for these loans.
- Firstly – there are currently a couple of caveats.
 - In order to apply, current turnover levels have to be under £45m. This excludes most motor retailers, however we understand that representations are going on from many side, including ourselves, to get this ceiling lifted. We would encourage businesses who think they may need a loan to prepare their application in the hope and expectation that the ceiling may be lifted.
 - In addition the loans can only be granted for businesses which are viable. Whilst you could argue that no business could currently be described as viable, discussions I've had with senior figures in two banks indicate that they are taking the practical approach that, if the business was viable before, it meets the criteria.
- This is a fast evolving area and ASE's guidance will be updated as we receive more information, appearing first in our linked in page
- ASE has put together the attached guide on the considerations to take into account prior to taking a government backed loan and the items you will need to include.



● Set the scene



- Present most recent financial statements (Audited or Signed Accountants report)
- 2020 Budgets and cash flows – before the impact of CoVid-19
- Summary of existing funding lines (stock funding and ‘typical’ utilisation) and other sources of funding
- Last set of final Management Information for 2020.

- Summarise the steps you have taken since the outbreak
- Quantify the impacts this will have – P&L and Funds flow
- What other assistance have you taken from HMRC etc.?
- What has your manufacturer partner assisted you with? Margin support, guaranteed earnings, stocking plan extensions (funding term or capital ceiling)
- Can you change the shape of your stock funding lines (Demo vs Used vs New Consigned.) Can we reduce demo vehicles whilst they are not being demo'd?

● Prepare



- Modify the underlying forecasts and cash flows (Please, freeze a copy of your original business plan)
- Compile a list of all assets suitable for security (exclude PPR) – but consider intangibles (e.g. life assurance policies)
- Consider those assets held at ‘original’ or ‘deemed’ cost within your accounts. Do you have more recent professional valuations for property?
- Approach your relationship manager, each institution has their own requirements for the scheme, what are they?
- Summarise a ‘bridge’ between the original forecasts and the new position.
- Your business needs to be viable in the longer term

● Stop & Assess



- Any CBILS product is still additional debt – 100% the liability of the borrower (you!).
- Can you cut costs further?
- Can you find alternative ways to achieve revenue by aftersales or online vehicle sales?
- ‘Normality’ is unlikely until the schools return in September 2020. Can we still build the plate change order bank for new cars?
- Can we manage with extended Working Capital through the interruption?
- Or is it too great, and we need to covert to longer term debt?

- Comparison to your new funds flow forecast will assist you on deciding which product to apply for
- CBILS should not be seen as an opportunity to refinance.
- If you need to change existing facilities, do it in parallel, not covertly in the application process. Consult your relationship manager.
- Revisit best practises for working capital tie-up – you will need to modify vehicle stock holding and trade out polices during business interruption.

● Contact us



- Should you require any help with the preparation of your application please contact ASE
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