

ASE Global  
Advice & Guidance  
Automotive Dealer Support  
What to do? – CoVid19  
March 20<sup>th</sup> 2020

ASE – Driving profitability in the global automotive industry since 1975

## Overview

### Expert Opinion, Advice and Guidance for Automotive Dealers

There is no guarantee how long this will last.

- You have to do everything that you can to survive & be in a strong position when we come out of it, by not carrying a heavier debt burden at that time.
- Unless you have to, do not take out a Guaranteed Government Loan to fund losses as you have to recover those losses when we come out of this.
- Carry out a detailed review of the Budgets for 2020 & pick out a period, say April to July, (may be longer) where you have to cut costs.
- Consider how much the Turnover & Gross will go down in each Department in the period chosen.
- Make all the changes that you were going to make, like redundancies etc now. Cost of redundancies is an issue, which will inevitably affect cash flow, so people with less than 2 years' service should be considered first.
- Look at all other costs & reduce them where possible to zero. Dispense with all the nice to have's.
- Focusing on liquidity particularly around the following areas;
  - Debtors
  - WIP
  - Used Cars not able to be funded
  - Close the chequebook
  - Renegotiate contract/payment terms with suppliers/Landlords etc.
  - Government payment delays (not loans) where possible
  - Extending funding lines and terms on stock
- Speak to the local Council to clarify the position on Rates (information we have just received is that Motor Dealers are regarded as "Retail" & therefore should receive relief for 20 / 21 ).
- Speak to the Bank & secure a "Capital Holiday" for the rest of 2020
- Having done all of this, it will inevitably leave a hole between lost gross & saved expenses, the balance of which can only come from Salaries & Wages.

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- You have to reduce the Wage bill for April 2020 & asking the staff to take paid holidays will not achieve this. We believe that there will be a deferral of PAYE & VAT, which will be a great help to cash flow, but it is only as deferral.
- Some of the staff (Service currently) seem to be at full capacity, whilst others have a lot of spare time through no fault of their own.
- We believe that the pain should be spread equally & therefore everyone including Senior Management should be moved to a 4 Day Week, possibly 4 days on 4 days off. This may help to manage capacity, which will stabilise after the initial period.
- Some may chose to move to 3 days, but that may be too far to go at the present & will cause serious hardship to the staff that you want to keep.
- It is of course subject to HR advice & agreement will be required from the staff, so it is essential to be put over in a sympathetic way.
- There will be cases of hardship & they will need to be considered on an individual basis. An example of this is where a staff member is forced to isolate for 14 days. The general feeling seems to be that the first week is taken as a paid holiday. The second week is on SSP but can be increased at the discretion of the Company.
- Emphasis needs to be put on to the web site, offering to take cars to customer's homes for Demo with all the necessary Health Checks & Collect & Deliver for Service Customers.
- When it's over, we need to be ready to go, so control of holidays at that time is vital. There will be a pent up demand from people who can't go out now, but will be able to resume their normal lives, so we need everyone firing on all cylinders at that time.
- The question has been put as to what to do if there is a "Total Lockdown"? I think that we have to look at this if & when it happens.
- Insurance – its worth getting in touch with your Insurance brokers and ask them about your Premiums, these should be coming down / reducing significantly due to the lack of activity around the dealership / on the roads.

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### MARKET UPDATE 19/03/2020

Based on phone calls - what is happening on the ground?

- In the main, Service seems to be unaffected so far, probably for the next 2 weeks.
- As far as New is concerned, everyone is working on getting the March deliveries out, but I guess April will take a big hit.
- The big problem is Used, which seems to be down by as much as 50%, but this may be down to emphasis on New & is changing Daily.
- From being values well over CAP clean, prices in the last few days have fallen significantly. Underwriters are reducing their prices significantly and will need to re confirm offers.



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