BDO

Motor 150 Report 2024

From global to local, challenge and change in motor retail

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Contents

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 830,000 people, contributing £22 billion in value to the economy, and typically investing £4 billion in research and development.*

In this light, the 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. This report, which covers performance in the latest audited accounts and looks 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 trends and the current and future dynamics of motor retailing, and to offer our professional views and advice for the future.

***source** SMMT

Foreword from Chris Bond, Head of Motor Retail

Retailers taking a strategic view will benefit in the long run

Successfully handling challenges, both internal and external, has always been a core skill of any motor retail business. The industry may have successfully navigated a pandemic and all the disruption that came with it, but now there are a multitude of new, and just as significant, challenges that retailers must tackle.

Supply and demand are mismatched when it comes to electric cars in the UK market; there are more cars (and vans) being offered than there are customers.

In a completely free market, the lack of demand would ultimately result in either a reduction in supply or a price reduction. However, in the UK, manufacturers are working toward government set targets for electric cars which means supply isn't yet being reduced and for the moment the only lever being pulled to balance the equation is a price reduction.

In practice, this doesn't come over as an official reduction in the list price of an electric vehicle, instead offers, incentives and retailer targetting are used to lower the price of new EVs.

While approximately 18% of the new car market is electric right now, this minority is having a disproportionate impact on the market as a whole because the EV targets are a percentage and not a vehicle unit number.

These targets set out by the Zero Emissions Vehicle (ZEV) Mandate and the related Vehicle Emissions Trading Scheme (VETS) give percentages of electric vehicles that each manufacturer must register or face hefty fines. And because they're percentages, the supply lever could become a greater option. For an OEM to hit a percentage of electric vehicles they could try to sell more EVs, but equally they could sell fewer non-EVs by restricting supply of internal combustion engine (ICE) cars and vans. At the time of writing, the lobbying to change this approach is becoming louder and as a result is under consultation.

Running in parallel with the supply and demand issues is the production cost of EVs. Developing a new technology that uses expensive components and materials has seen a significant uplift in vehicle pricing. To counter this, OEMs have been searching for ways to lower costs, including distribution.

When electric vehicles first started coming to the market in significant numbers this coincided with the Covid pandemic which 'naturally' reduced supply and kept it below demand. In this atypical situation, OEMs could see that retailers were making significantly higher profits than in previous years. This, combined with a desire to get closer to the end customer – something the traditional franchise model placed squarely, and legally, with the retailer – gave an opportunity to switch to an agency sales model.

Under the agency model the OEM has direct contact and 'ownership' of the customer, takes on stocking costs and a host of other responsibilities while the retailer receives a handling fee for each car sold.

Foreword from Chris Bond

Continued

When new car supply was constrained during the pandemic the agency model looked attractive to manufacturers and less appealing to retailers. However, now that there's greater supply – particularly of expensive electric cars – the tables have turned. With less pressure on the retailer to move stock in the agency system, those groups partnering with both agency and franchised OEMs are likely to concentrate more of their efforts with the latter brands where greater rewards are possible and where the risks of stocking costs need to be less closely monitored.

The agency-or-franchised argument makes it more important than ever for retailers small and large to plan further ahead about which brand they're going to be partnering with to safeguard a profitable future. But that's not the only factor to consider in the long term.

Some OEMs have read the market better than others when it comes to understanding consumer demand. Car buyers are decreasingly loyal to a particular brand and instead look for the most attractive product no matter what badge is on the bonnet.

Vehicles that are desirable are far easier to sell and both retain a higher margin and residual value.

Again this means it becomes increasingly important for retailers to be partnered with the correct brands. Or at least, if they're large enough, carefully select a spread of brands.

This approach gives an opening to new entrants which are capitalising on the combination of decreased brand loyalty and the absence of lower cost vehicles from legacy manufacturers. But picking a brand that's going to be the next major opportunity isn't easy and comes with its own investment risk; not least the chance that legislators may impose tariffs such as on Chinese-built vehicles.

The challenges don't stop there.

Labour's first budget has seen business costs rise significantly with Employer National Insurance rates increased and thresholds decreased, while the minimum wage is set to rise as well.

And if that wasn't enough for motor retailers to be taking on, the recent discretionary commission Court of Appeal ruling threw a curveball into the way finance is sold. While this had an immediate impact, the longer-term ramifications have yet to be fully calculated.

On top of this, AI is starting to assist automotive retail both from the retailer and manufacturer sides. For the moment applications are limited and the old adage 'people buy from people' still holds true, but there are areas where AI could significantly boost efficiency freeing up human resources to tackle more complex or personable issues.

Longer term, retailers will also need to judge how consumers are likely to behave. With a near-flat economy, will households look at their transport needs? Does more home-working mean a reduction or increase in the need for private transport? There are signs of a more sustained return to office-working, what impact will that have?

And as electrification takes over and cars need less and less maintenance, what will retailers do to both retain footfall and replace any reduction in revenue?

Many of these points will also be studied by the OEMs too. Their solutions are likely to be network related. For retailers to stand any chance of surviving when there's network change, possibly the best approach is to have a first-rate working relationship with the OEM.

Getting on well with your brand partner will give a business the best possibility of influencing the change, rather than having change forced on them.

Tackling day-to-day challenges may be bread-and-butter to motor retailers, but it's this skillset that could also be used to look further ahead. For those retailers looking to do more than simply survive the challenges, developing a longer-term strategic approach will not only ensure survival, but also boost profitability and position them for the next stage in their development be that organic growth, acquisitive expansion, succession or a sale.

The Motor 150 group performance

Working harder for less

The Motor 150 had a more challenging year in 2023. After the unprecedented profitability of the past couple of years, where the onus on motor retailers was to make the most of the friendly environment, 2023 was more difficult. While the Motor 150 delivered record turnover, profitability fell. And despite the profits made by the cohort remaining higher than pre-Covid, the 2023 drop feels like a downward path and one that's set to continue.

Turnover for the Motor 150 increased from £77.4 billion in 2022 to £86.0bn in 2023, an 11.0% rise. This was driven by a combination of continued levels of high inflation and improved supply in the market. During 2023 new vehicle registrations increased by 17.9%, driven entirely by the fleet sector. In turn, this led to improved supply in the used vehicle market. The past couple of years have been more of a seller's market with supply constraints, however, this year felt more like a buyer's market. With the cost-of-living crisis tempering demand while supply improved, retailers needed to work harder to attract customers with a greater need for discounting and being more mindful of their prices compared to their competitors. The 11.0% increase across the cohort was very evenly shared, with the largest 75 groups increasing their turnover by 11.1% and the bottom 75 groups seeing a rise of 10.9%. The median turnover was around £250m in 2023, up from £225m in 2022.

The extra efforts to continue attracting customers in a more competitive market started to impact gross margins. Last year was the highest level of gross margin made by the Motor 150 in a decade at 12.1%, with this falling to 11.4% in 2023. This remains slightly higher than pre-Covid levels which were just under 11%. The falls in used vehicle valuations throughout most of the year, with more significant falls in the final quarter, also squeezed margins and retailers found it of greater importance to be careful with the quality of their used stock and achieving faster stock turn.

With inflationary pressures continuing throughout 2023 it is no surprise net operating costs increased. They almost matched the 11.0% uplift in revenue with a rise of 10.7%. Within this was a rise in employee costs of 7.4%, with just 4.2% of this being accounted for by additional employees (from 127,500 to 133,000). The number of people employed by the Motor 150 has now returned to pre-Covid levels. Unsurprisingly, finance costs increased by a massive 75.3% as a result of interest rate rises, which rose from 3.5% at the start of the year to their peak of 5.25% in August 2023 plus higher levels of stock.

All of the above contributed to the fall in profit before tax, which decreased by 31.0% from £1,794m to £1,237m. This represented a fall in the net margin made by the Motor 150 from 2.3% to 1.4%. This was split between the largest 75 groups making a margin of 1.6% and the next 75 achieving 1.2%. However, when the Motor 150 are split into groups of 15, the fall was seen across the board with no strata achieving an improvement. The number of groups making a loss tripled to 15 (five in 2022) though the margin does remain stronger than pre-pandemic levels. In 2020 and 2019 there was a net margin of 0.7% and 0.5% respectively.

Key performance indicators

	2023	2022	2021	2020	2019
Turnover	£86.0bn	£77.4bn	£70.8bn	£60.6bn	£69.7bn
Change in turnover	11.0%	9.4%	16.9%	-13.1%	1.4%
Gross profit	£9.8bn	£9.3bn	£8.4bn	£6.6bn	£7.5bn
Operating profit	£1,705m	£2,058m	£1,917m	£710m	£624m
Profit before tax	£1,237m	£1,794m	£1,706m	£449m	£369m
Return on sales	1.44%	2.32%	2.41%	0.74%	0.53%

The Motor 150 group performance

Working harder for less

Taking stock

The changes to stock availability have also helped the Motor 150 balance sheet. Stock levels increased by 15.8% as availability improved and this was matched by increases in liabilities as would be expected. Cash reserves remained strong at £1.9bn (2022: £2.1bn). We expect motor groups are continuing to manage their cash carefully, particularly with high interest rates making any financing less attractive. Some dealer groups have used cash to self-fund stocks for example.

The high interest rates did not suppress investment though, with enhanced capital allowances available to groups. Tangible asset purchases increased by 17.1% to £1.8bn and significant increases continued in intangible asset additions, though at a lower level than 2022. There was some consolidation in 2023, and further foreign investment with the takeover of Lookers. However, it is since the year end that there have been some significant business combinations. Sytner acquired the majority of Rybrook in January 2024, Lithia finalised its acquisition of Pendragon the very same month, and Group 1 Automotive acquired Inchcape a few months later in April 2024. This will have a significant impact at the top end of the cohort.

Challenges ahead

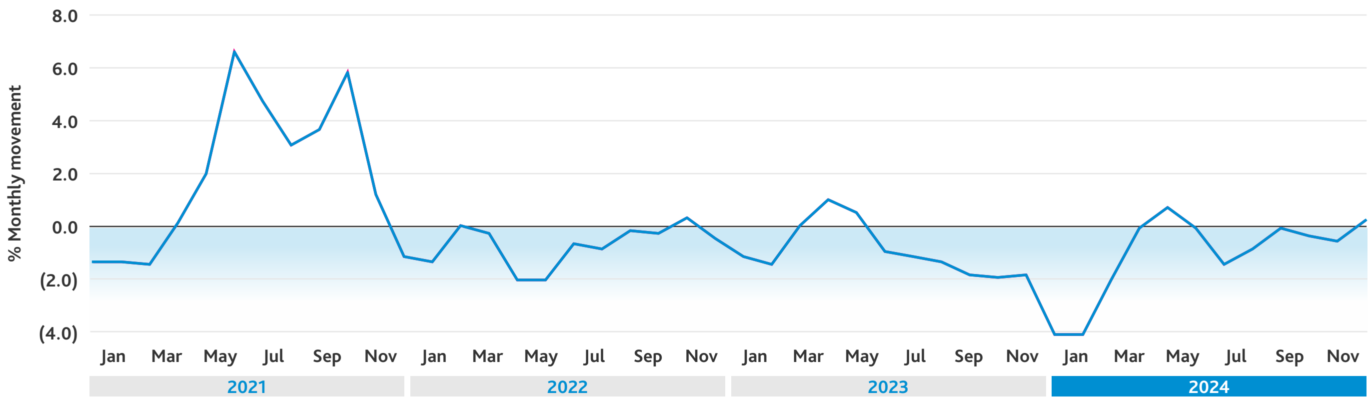
To date in 2024 we have seen dealer groups faced with a great array of challenges, with further storms approaching. Used vehicle valuations have steadied and appear to have returned to a more regular pattern as was seen before the pandemic. This has been helped by a slowing in the increase in new vehicle registrations which, in its July forecast, the SMMT expects to grow by just 3.4% in 2024. A further modest increase of 3.1% is expected in 2025, still significantly lower than pre-pandemic levels. The growth is substantially from electric and hybrid vehicles and significantly the SMMT forecasts electric and hybrid cars (excluding LCVs) will match the number of new petrol cars. However, there continue to be questions raised of the Government around the required investment in charging infrastructure, certainty on targets and whether there will be the support (such as grants) to people wanting and trying to make the transitions to more environmentally friendly vehicles.

To date there have been no significant further moves toward the agency model after Mercedes-Benz and Volvo made the switch in 2023. BMW plans to start its transition with Mini due to adopt the approach in 2025, though many manufacturers still appear to be taking their time before making a final decision.

One decision that has made waves across the industry was the recent court judgement surrounding the commissions paid to dealers in brokering finance agreements between vehicle finance lenders and customers. This ruling caused a lot of panic with some lenders pausing any further finance applications for the foreseeable future and lenders working with retailers to amend existing documentation to comply with the ramifications. How this develops could have a large impact, as finance commissions received from lenders can be around 1% of revenue, and the loss of this would significant impact profitability.

All these waves, coupled with continuing financial pressures facing customers, make for very choppy waters and dealers will have to keep working really hard to deliver strong financial results. The onus will remain on motor groups to continue being innovative to attract new customers, be careful over their used vehicle purchasing to support their gross margins as best they can and be vigilant over their cost control. Some challenges will remain outside their control, such as the ongoing finance commissions case and manufacturer behaviour, whether this be through introducing the agency model or efforts made to rationalise their retail networks. If 2023 was tougher than before, then 2024 is shaping up to be more of the same, with further storms to come.

Monthly change in used vehicle values



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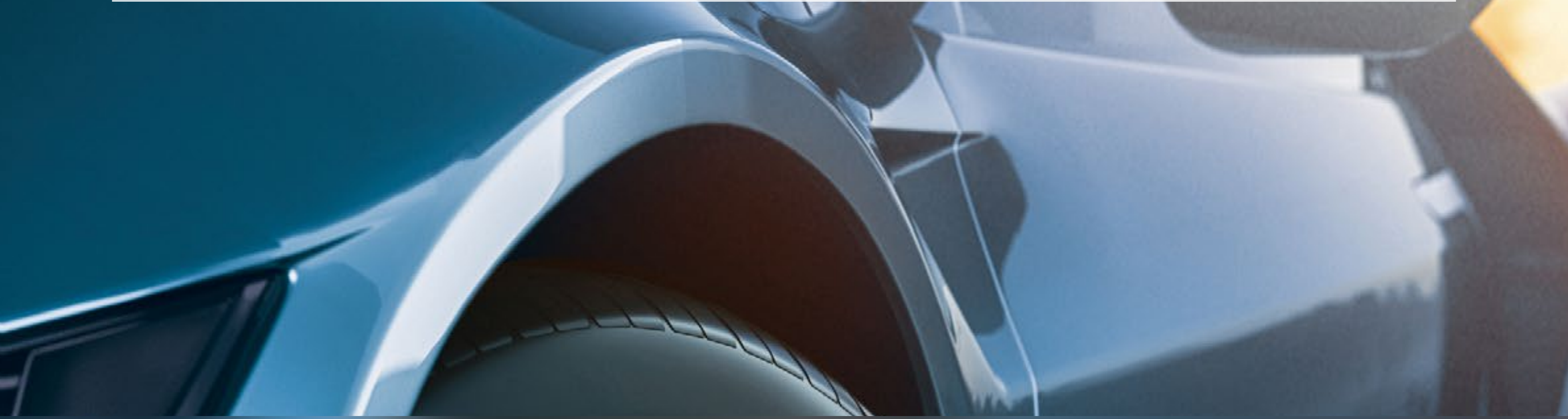
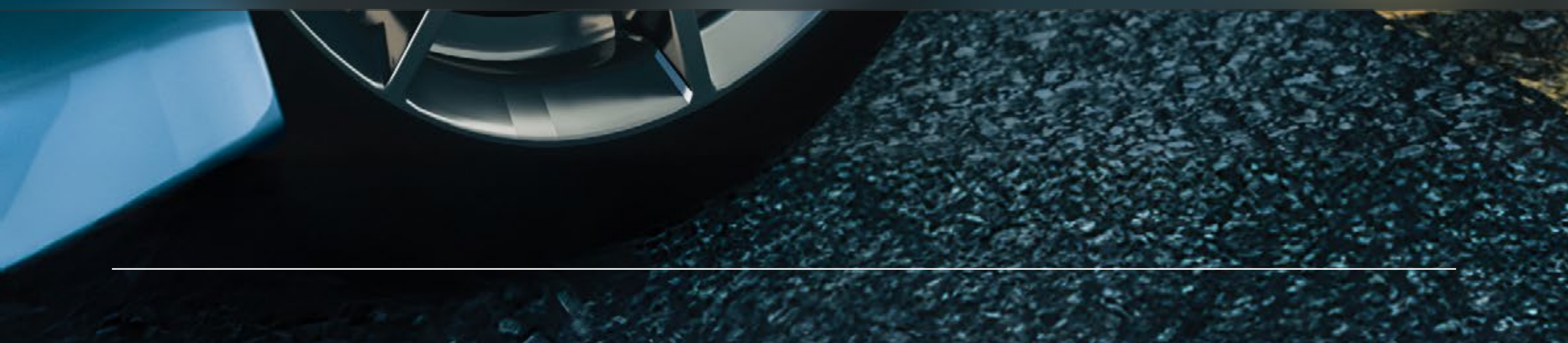


Analysis of turnover

	2023 turnover £	2022 turnover £	2021 turnover £	2020turnover £	Change 2022-2023 £	Change %
Positions 1-15	44,542,107,000	40,613,577,000	37,011,726,000	30,407,317,000	3,928,530,000	9.7
Positions 16-30	13,576,426,932	12,171,688,472	10,655,755,130	9,770,177,967	1,404,738,460	11.5
Positions 31-45	8,078,633,277	7,048,770,157	6,942,424,922	6,104,670,047	1,029,863,120	14.6
Positions 46-60	5,125,529,403	4,405,352,753	4,317,385,604	3,890,973,229	720,176,650	16.3
Positions 61-75	4,068,058,853	3,648,388,177	3,322,754,204	2,866,623,656	419,670,676	11.5
Positions 76-90	3,311,358,289	3,048,500,460	2,702,874,107	2,315,527,160	262,857,829	8.6
Positions 91-105	2,589,507,279	2,311,407,040	2,060,346,888	1,830,174,613	278,100,239	12.0
Positions 106-120	2,028,751,304	1,739,788,495	1,558,950,376	1,375,004,255	288,962,809	16.6
Positions 121-135	1,558,963,989	1,394,589,447	1,247,340,054	1,123,126,018	164,374,542	11.8
Positions 136-150	1,097,395,701	1,051,700,858	970,413,240	897,018,084	45,694,843	4.3
	85,976,732,027	**77,433,762,859**	**70,789,970,525**	**60,580,612,029**	**8,542,969,168**	**11.0**

Analysis of margins

	2023 margin %	2022margin %	2022-2023 Change %	Change %
Positions 1-15	1.34	2.15	(0.81)	-37.7
Positions 16-30	1.77	2.57	(0.80)	-31.2
Positions 31-45	1.68	2.60	(0.92)	-35.3
Positions 46-60	1.67	3.19	(1.52)	-47.6
Positions 61-75	1.40	1.74	(0.35)	-20.0
Positions 76-90	1.38	2.54	(1.16)	-45.5
Positions 91-105	0.93	2.12	(1.19)	-56.1
Positions 106-120	1.31	1.90	(0.58)	-30.7
Positions 121-135	1.19	2.59	(1.40)	-54.0
Positions 136-150	0.69	2.50	(1.81)	-72.4
	1.44	**2.32**	**(0.88)**	**-38.0**
Positions 1-75	1.56	2.32	(0.76)	-32.8
Positions 76-150	1.16	2.32	(1.16)	-50.1



The manufacturer's view

Understanding the bigger picture for manufacturers is vital for any retailer considering its future in auto retail. In recent times a convergence of electrification, economic pressures and world events have necessitated OEMs look at their distribution models.

Some have chosen to stick with the traditional franchised model but reviewed the need for such a large network or put in place new terms that give greater access to the end customer, while others have opted for greater change and have either switched to an agency model or are heading toward it.

Both routes to market have advantages and disadvantages, but both are attempting to counter three main issues; reduced margins in vehicle production, reduced maintenance of in-life vehicles and access to the customer.

Agency distribution has been touted as a way for the OEM to have direct contact with the customer while also reducing distribution costs through reduced retailer margins.

Franchised proponents argue that customer data sharing can be achieved through updated agreements and that this route is already the most cost-efficient way of reaching car buyers.

However, under either model, the only way to tackle the reduced maintenance costs of electric vehicles is to go for scale which means fewer retailers carrying out more work. It's this aspect that has given an advantage to the biggest global retail groups, who can not only offer scale to local national sales companies, but also build relationships at manufacturer HQ level.

Stellantis' approach

Stellantis operates 10 car brands in the UK ranging from luxury sports brand Maserati to newly added Chinese brand Leapmotor with volume players in between such as Vauxhall and Peugeot.

An agency model introduction has been delayed but is still very much on the cards and Stellantis is consulting with retailers about the process to make sure of a successful transition.

Commenting on the progress to agency, Stephanie Howson, Director of Network Development, Customer Experience & Training, Stellantis UK, said: “We have tested agency in Belgium, the Netherlands and Austria. These tests have enabled us to learn many things and we have decided that for the UK to postpone it to a moment where we will be better prepared from an operational point of view. We are evaluating the best way forward with the dealer body and with relevant stakeholders in the UK market. It’s also important to note that there are different types of agency models out there and our model will still heavily involve the dealer in the transaction. We also need to time the approach correctly and we will only move forward when it’s right for everyone. We have a highly professional and effective network which will always be part of our planned future.”

Stellantis’s approach is one of caution. The OEM has realised that getting all the voices around a table to discuss options will mean there are fewer arguments in future when it does eventually implement agency.

Stellantis has also recruited a third party to plan for agency. The manufacturer is employing car distribution expert ICDP to act as a middleman and gather facts and data so that whatever version of agency the OEM eventually selects will be based on sure footings and less likely to be challenged. Planning and working through options and potential issues, also means Stellantis could end up with a different version of an agency model to others already in play.

Stellantis has seen what’s happened with Mercedes both in the UK and in other parts of the world, such as Australia, and realises there’s more than one way to approach the change.

The change, which is understood to be pencilled in for late 2026, isn't for its own sake. Stellantis believes the switch will allow both it and its retail partners to deliver a better customer buying experience particularly as the world moves to a more digital landscape with greater electrification and connectivity in the automotive sector.

Hyundai's approach

Hyundai has committed to the franchise model. It’s also committed to retain the same approximate overall franchise count in its latest network review. However, efficiencies will come via a reduction in the number of retail partners running the franchise points.

Describing the rationale for the changes Nick Tunnell, Hyundai’s business transformation director, said: “Regardless of anything that’s going on, the process of re-contracting would need to take place for contractual reasons. So we’re using this, in part, as an opportunity to go through the process. It’s also aligned to a more global project that is happening. It’s not being done in isolation, just in the UK, albeit we’re probably a little more ahead because it was something that we were looking at doing for past couple of years.

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The manufacturer's view
continued

"Our approach is very much the franchise model. We, like everybody, have had multiple conversations with the various consultants telling us all the great things that are going to happen as a result of agency. However, we are yet to be convinced. We believe in the traditional franchise model. We believe in that entrepreneurial spirit. I don't think as manufacturers, if you look across the ages, that we've necessarily had the best of records in retailing vehicles."

Hyundai believes having fewer partners will lead to greater efficiencies for itself and for the remaining retailers.

"Where we've got multiple locations with one partner the ability to unify marketing activities across the group including administration, parts and servicing, brings economies of scale and we see that in practice.

"There's probably advantages both ways because we find the focus and the energy when they've got two sites is very different from when they've got five sites.

"The engagement with us is different because there's a greater dependency, I suppose, on the franchise itself. So actually we see a greater level of investment," said Tunnell.

A positive retailer-OEM relationship is essential when it comes to network developments, according to Tunnell.

"Being the global organisation that Hyundai is, there's a lot of retailer relationships, particularly with groups in America, and a number of those groups have now come over to the UK and are starting to become big players. I mean, Lithia being the most obvious example of that, but we don't necessarily have a preference for international companies and likewise no reservations about having a relationship with those. So their status domicile is not really a player in it, but what it does do is where there is a relationship that exists with our senior teams in America. If I use Lithia as an example, then clearly there are pathways to different types of conversations, perhaps quicker than there would otherwise be, but it doesn't really play any significant part in determining who we would go with over anyone else."

Is the UK up on agency down under?

Australia was the first major market to experience the agency model with Honda switching first, in mid-2021, and then Mercedes switching six months later. The moves came ahead of the UK, but with Mercedes now scoring highly for its relationship with dealers here, was Australia just a testbed for the rest of the world, or is it still leading the way?

Honda combined its move with the termination of approximately a third of its partners and expanding the geographic areas of responsibility for the remaining retailers. While Mercedes, which kept its entire network onboard for the move, ended up in a lengthy court battle.

Honda's network cuts meant the remaining retailers – particularly those in the metropolitan areas – have seen an increase in the number of units sold. However, those remaining retailers situated in less densely populated areas have struggled to capitalise on their larger markets.

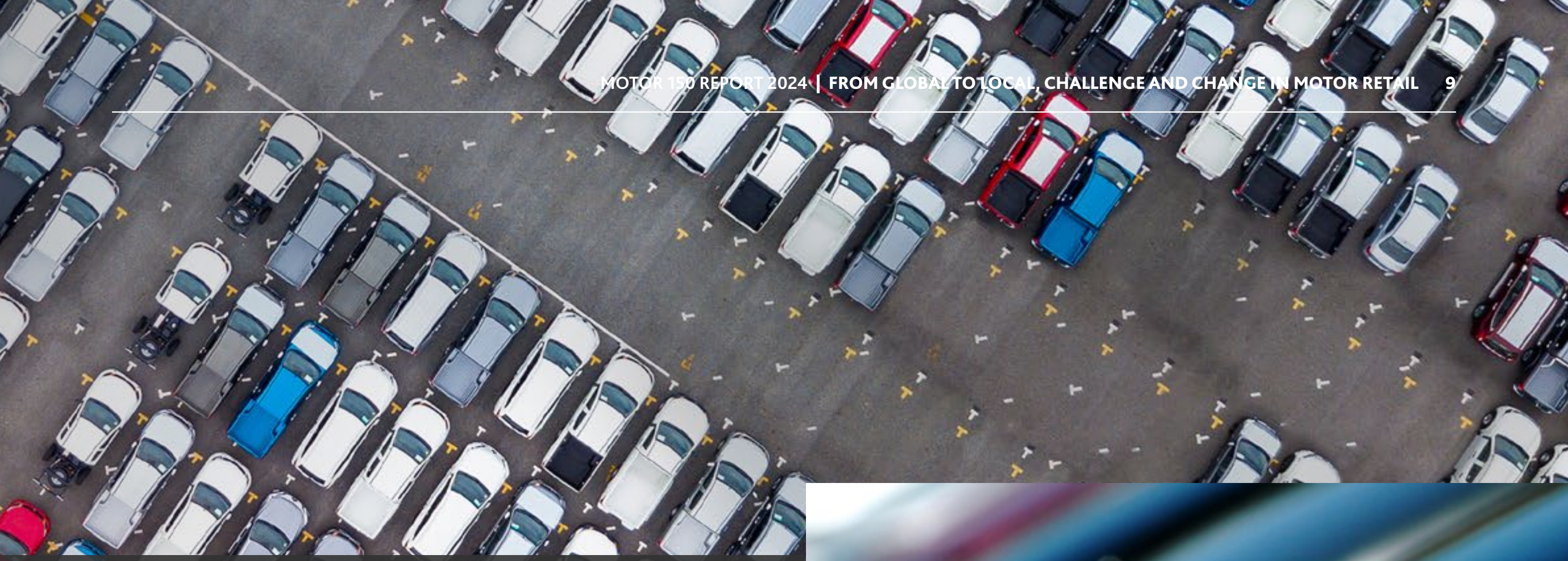
Sales performance for the Japanese brand has seen a significant drop-off since introducing agency. In 2019 volumes were running at well over 40,000 units a year, falling to just over 29,000 in 2020, and in 2023 just shy of 14,000. However, it's difficult to draw an exact parallel between these figures and agency as there have been some model changes and variations to the model cycle. Indeed, the half-year figure for 2024 is running up on 2023.

Mercedes-Benz didn't cut its network numbers during the move to agency. However, after agency's inception, a group of 37 retailers, out of a network of 50, took the manufacturer to court over a AUS$650 million loss of goodwill due to the shift to agency. The retailers lost their case, however, 36 are now taking Mercedes back to court with an appeal.

Now more than two and half years into agency there are mixed views on its implementation.

Some retailers strategically stayed out of the court case, believing it was advantageous to have a better working relationship with the manufacturer to ensure long term success.

However, there have been teething issues for all retailers. Some of these issues still exist, nearly three years on.



Like Honda, Mercedes-Benz market share and sales have declined, but again that could be as much the life cycle of its particular models as it could be the move to agency.

Mercedes car registrations topped 24,000 units in 2023. This compares to 2022's near 27,000 total. Five years ago and ahead of the pandemic, Mercedes registered almost 32,000 cars in Australia.

Mercedes-Benz retailer profitability is lower than it was, but adjusting their cost base to the new model was always going to take some time. On day one of agency, arguably they didn't need as many salespeople or as big and bright facilities. But those things take time to scale down or reduce. Only now are we seeing businesses readjusting costs closer to where they need to be under an agency model.

Mercedes has also introduced a complex remuneration and targetting system. The top tier of retailers can find it quite lucrative. However, there's a lot of variation across the network.

A number of things impact that profitability. The first is the retailer's ability to reduce cost base to suit the agency model. The other obvious factor is their willingness to embrace the agency model. Mercedes-Benz dealers that didn't want agency and fought the introduction will be less likely to be doing everything they can to make it as successful, and profitable, as possible. Those retailers simply aren't going to be as efficient as those who take the attitude that agency is the new model and just make it work.

Profitability also varies between metro operations and the regional retailers who operate in a larger geographic area, but with a much lower population density.

What remains to be seen is what will happen to those retailers who are continuing to fight Mercedes and agency. The unknown is whether they will remain as retailers for the brand in the long term.

As with those brands in the UK which have switched to agency, both Honda and Mercedes in Australia have experienced teething issues in the short term with systems implementation. However, in Australia these brands continue to suffer from issues around how used cars are handled, valued and around the nature of the fixed price model, while in the UK Mercedes now enjoys an enviable relationship with its retailers. The latest NFDA Dealer Attitude Survey placed the OEM second, behind Kia, after two years languishing further down the ranking.

Joining up the used car trade-in which, happens between customer and retailer, and the new car purchase between the manufacturer and customer in Australia is still not as straightforward a process as it would have been under the franchised model.

Profitability varies between metro operations and the regional retailers who operate in a larger geographic area, but with a much lower population density.

Mercedes, which now sets the price of its vehicles rather than the retailer, is still influencing demand with deals on the new price and with retailer bonuses for hitting set volumes – even if the retailer can't then use this to change the price of the new car.

Agency is believed to have reduced the distribution costs for Honda and Mercedes thanks to a simpler structure which means a lower administrative load and fewer 'moving parts' to manage.

However, despite the lower distribution cost, agency has not taken off with other brands and Honda and Mercedes remain the only manufacturers of the 65 that sell cars in Australia's 1.2 million-strong market.

The real test of agency's success could still be a few years off.

If the retailers aren't as profitable under agency, then, in all likelihood, they would start to move their attention to their other brands and begin to scale back with Honda and Mercedes. This is exactly the opposite of what the OEM would want as one of the pillars for agency is improved customer satisfaction. And if a retailer can't invest in the best facilities through lack of profitability, then customer service will fall.

How to prepare for the next wave of M&A

Over the recent past, much of the large-scale investment has come from international groups buying into the UK via sizeable local operations. This has left only one large publicly listed auto retail company in the UK – Vertu.

International investment in the UK is unlikely to slow in the coming years, but the approach to acquisitions is likely to change to one that's more selective in its purchase strategy.

Those international businesses now on UK shores are unlikely to stop with what they've got. A period of consolidation, refinement and reflection is expected to follow before these investors need to show they've done the right thing by expanding with more selective purchases.

These buyers are focusing on strategic acquisitions that provide long-term value and growth potential and are often motivated by the need to achieve scale and operational efficiency, especially as profit margins come under pressure from rising costs and supply chain disruptions.

Significant transformation in the automotive retail sector, particularly in the UK, driven by a combination of macroeconomic factors and market-specific trends has done little to dampen international interest. While various industries are experiencing a slowdown in M&A activity due to higher interest rates, cost inflation, and a squeeze on margins, the motor industry remains an area of sustained interest.

Current market trends

One of the most notable trends in the motor retail sector has been this influx of international investment. The motor industry has bucked the wider downward path largely due to its undervaluation in public markets and the attractiveness of UK dealerships to international investors, particularly from the United States, Canada and Europe.

International investors have been drawn to the UK market due to a combination of favourable exchange rates, the relative undervaluation of UK assets, and the high population density that provides a solid customer base. The UK market is seen as an easy entry point for foreign investors, given its geographical concentration and familiarity with both the language and business practices. This influx of capital has driven a wave of consolidation in the sector; mostly with larger international entities acquiring some of the largest UK groups, but also some foot-hold acquisitions of mid-sized groups.

Private equity

Private equity has traditionally been a major driver of M&A activity across various sectors, but in the automotive retail space it has been relatively cautious. Instead, trade buyers have taken the lead in making strategic acquisitions.

The historic cautious stance by private equity has come about because of the complexity of auto retail and its non-conformity when it comes to standard valuation metrics. The high turnover and low percentage profit margin do not fit with other industries, even other retail sectors.

Interestingly, a move to agency sales could have helped private equity better understand the auto retail sector as retailers' margins should improve under this model. However, with many agency introductions currently stalled, the industry may have to wait a bit longer for greater private equity interest.

Market conditions

Timing is also a key challenge for businesses looking to engage in M&A activity. The market, the business, and the management team must align at the right moment to maximise value from a transaction. In the current environment, many businesses have experienced a flattening of EBITDA due to cost inflation and weaker-than-expected revenue growth. As a result, potential sellers may be reluctant to transact at valuations that are lower than their expectations based on historical performance.

In sectors such as automotive retail, where businesses are absorbing significant cost increases, the market for potential buyers has become more selective. Buyers are focusing on opportunities that provide long-term value, and in many cases, they are making direct trade approaches rather than participating in full auction processes. This has led to a more thoughtful and deliberate approach to M&A, with buyers seeking acquisitions that align with their strategic objectives. These objectives often focus on brand, manufacturer or geographic region.

Specific strategies are required because high interest rates have made it more expensive for businesses to finance acquisitions, and cost inflation has put pressure on profit margins.

Many businesses are struggling to achieve the levels of profitability that would make them attractive acquisition targets. Additionally, the rising cost of capital has led to a more cautious approach from investors, who are now more focused on cash generation and long-term value.

With a more focussed approach to growth through acquisition, the economic pressures can be mitigated against through economies of scale. But not just overall size, but a concentration on these pre-set factors.

Agency model

Agency may not have taken off in the way some manufacturers expected, however, several brands are now up and running using the model.

Agency presents both opportunities and challenges. Under this model, dealerships no longer carry inventory but instead act as intermediaries, collecting handling fees for facilitating transactions. While this can simplify operations and improve transparency, it also introduces complexities related to cash flow, capital expenditures, control over the customer relationship and how the used car trade-in is handled.

For some dealerships, the agency model has resulted in improved profit margins, as they no longer bear the risk of holding inventory – a particularly useful factor in a push market and one where the stock is increasingly expensive thanks to electrification.

However, there is still uncertainty around the long-term implications of this model for valuation and cash flow generation. For those retailers working with manufacturers adopting the agency model, they will need to adapt their business strategies to remain competitive.

Outlook

The outlook for the automotive retail sector remains positive, despite the challenges posed by high interest rates, cost pressures and product electrification. International investment is expected to continue driving consolidation, as foreign investors seek to expand their presence in the UK market. However, we may see a period of digestion as recent acquirers integrate their new assets and focus on optimising performance before pursuing further acquisitions.

The UK automotive retail sector is at a pivotal moment, with international investment driving consolidation and creating new opportunities for growth.

Over the next few years, the market is likely to become more selective, with buyers focusing on quality assets that provide strategic value. For business owners, this presents an opportunity to position their companies for growth and attract interest from international acquirers. By focusing on operational efficiency, managing the transition to EVs and aligning with the right OEMs, businesses can maximise their value and capitalise on the ongoing M&A activity in the sector.

In this environment, strategic thinking and careful timing will be critical to maximising value and achieving long-term success.

Economic risk

Economic challenges increase fraud risk

Motor retail groups share many of the same risks that impact other retail sectors, but due to the unique way auto retail operates, there are also specific risks and due to the significantly higher cost of the goods sold, the scale of any problem can cause a greater impact on the business.

As the middleman between manufacturers and consumers, motor retailers face traditional retail risks such as theft, fraud and asset misappropriation. However, in recent years, new risks have emerged due to digitalisation and changing consumer behaviours.

Like other retail sectors, the traditional risks for dealer groups include employees diverting payments, stealing parts or misusing company resources.

These traditional risks are amplified in the motor retail industry due to the high value of the goods involved. Small businesses, in particular, may suffer significant losses from even a single fraudulent transaction.

Emerging risks

As consumer behaviour shifts toward online, this has opened the door to new forms of cybercrime. A notable trend is the significant increase in cyber-related incidents, with motor retailers experiencing a 33% rise in cybercrime cases in the past year.

One of the primary threats is authorised push payment fraud, where attackers impersonate suppliers or trusted entities to divert payments to fraudulent accounts. In the motor industry, where transactions often involve large sums, this type of fraud poses a severe threat.

Additionally, customers are increasingly targeted by phishing scams, leading to payments being diverted to criminals instead of legitimate businesses which could leave both the dealer and the consumer out of pocket.

Retailers are also witnessing an increased risk from fraudulent operations that pretend to be suppliers. Without the correct onboarding, with independent validation, for any new supplier there is a risk that the motor retailer could expose itself to greater cyber risk.

Identity theft can also cause headaches for a dealer. Due to economic pressures, there has been an increase in the number of car buyers using identity theft to provide stronger financial details than they possess in reality. In some cases, buyers use this to simply get a larger loan than they would otherwise qualify for but still maintain payments, but in others this can result in vehicle theft and the customer simply disappearing with the vehicle.

Internal fraud

Internal fraud remains a significant issue for motor retailers, although the risk can be higher in smaller businesses.

Smaller numbers of staff often leads to a lack of segregation of duties, making it easier for fraud to go undetected. Employees with too much control over financial operations may engage in long-term skimming or divert payments for personal gain without necessary oversight.

Signs that fraudulent behaviour is happening includes these individuals avoiding taking time off or resisting having others review their work.

To mitigate these risks, motor retailers should implement strong internal controls, such as segregating duties, conducting regular audits and ensuring oversight of financial operations.

Regulation

The Economic Crime and Corporate Transparency Act (ECCTA), enacted last year, adds new regulatory requirements for motor retailers. Under the act, companies can be held liable for fraud offenses committed by employees or associated individuals if they fail to have reasonable fraud prevention procedures in place. This applies to businesses that meet two out of the following three criteria: more than 250 employees, over £36 million in turnover, or more than £16 million in assets; factors that would cover almost all motor retailers.

Additionally, the senior management identification doctrine lowers the threshold for accountability, meaning that senior managers – not just C-level executives – can now be held responsible for fraud offenses. This regulatory change emphasises the importance of corporate responsibility and the need for businesses of all sizes to introduce comprehensive fraud prevention measures.

However, this requirement has yet to be fully implemented and the government has only given guidance on this aspect. Business are likely to have six months to act once it is put into effect.

Data still biggest risk

Data compliance and cyber risk

GDPR is still a dominant force within risk. Updated regulation penned by the previous government has not come to pass so, for now, motor retailers need to keep to the 2018 legislation.

That lack of change can lead to complacency, which means retailers should check their existing procedures governing data handling.

The regulation requires businesses to handle personal data responsibly, from obtaining explicit consent to responding to data breaches swiftly. While GDPR remains the guiding framework, motor retailers should also monitor developments in AI regulation, especially with the EU AI Act on the horizon. AI technology has significant applications in this sector, such as customer service automation and recruitment processes. These technologies introduce new risks, particularly around bias and data privacy, which must currently be managed under existing GDPR regulations.

With motor retailers relying heavily on personal data to power their businesses, the amount of data and the number of uses can be vast, but it breaks down into two main categories; customer data and employee data.

Regulation is monitored and enforced by the Information Commissioner's Office (ICO).

The consequences of non-compliance with GDPR can be severe, including fines up to £17.5 million or 4% of annual global turnover, whichever is greater. However, financial penalties are just one aspect. A major data breach can lead to long-lasting reputational damage that could erode consumer trust and hurt business growth.

Within automotive, the cyber-attack on Arnold Clark in 2022 did not result in a penalty from the ICO, however there will have been some reputational damage to customer confidence.

Cyber attacks

Data breaches from cyber-attacks can also have lasting and hidden aspects. With such stiff penalties in place for any breach of GDPR, acquisitive firms need to take a cautious approach to cyber security with any company they are targeting.

Smaller companies may not have the resources to even detect a breach and may think they've never been subject to a cyber-attack. However, if they have and it's detected after an acquisition any fine can be levied at the whole, larger, business and not just the original target.

While not in automotive, this has happened to Marriott Hotels which was fined £99 million in 2019 for a breach that happened in 2014 to Starwood, a company it bought in 2016. The breach was only detected in 2018. The ICO said at the time that Marriott had failed to undertake sufficient due diligence when it bought Starwood.

Rise of AI

AI is transforming operations in motor retail, from customer service chatbots to automated recruitment tools. However, these technologies bring new challenges around data handling.

In some applications AI can fail to offer a truly neutral view. If AI is being used with the HR arena, and recruitment in particular, systems must be transparent and designed to ensure that personal data is processed in compliance with GDPR.

Retailers should establish governance frameworks for AI use, ensuring data privacy and avoiding bias in decision-making.

Due to the fast-moving progress of AI, motor retailers will need to adapt their data protection strategies on an ongoing basis.

Ensuring Compliance

Motor retailers can take several key steps to minimize the risks associated with GDPR non-compliance and avoid data breaches:

Audit regularly - Conducting regular data protection audits helps identify vulnerabilities in the handling of personal data. This proactive approach ensures compliance issues are addressed before they result in a breach.

Training - Staff training is critical to ensure employees understand GDPR requirements and the importance of handling personal data securely. Training should cover best practices for preventing phishing attacks, managing sensitive data, and complying with subject access requests.

Third-parties - Motor retailers work with huge numbers of third-party service providers across all areas of their operations. These third parties can often process personal data on their behalf. It's essential to have clear contracts that outline data processing responsibilities and ensure that third-party vendors are GDPR-compliant because the retailer will also be responsible if there is a breach.

Data retention - Having clear data retention policies helps minimise the amount of personal data at risk. Retailers should ensure they only keep data for as long as necessary and securely delete outdated or irrelevant information. The timing of these policies may differ by department. However, the longer data is retained the higher the risk.

Will the Budget put the brakes on business?

Labour's first Budget in 14 years has resulted in an increased tax burden for business through several well-trailed announcements together with a couple of surprises. The combination of the changes means that retailers who have carried out business or personal tax planning may well need to re-think their tax strategy to ensure their plans are still tax-efficient.

Capital Gains Tax

There were several changes made to Capital Gains Tax (CGT) in the Budget. Taking effect from 30 October, the main rates of CGT increased to 18% for standard rate taxpayers and to 24% for higher rate taxpayers (up from 10% and 20%). This re-aligns the main rates with the rates on residential property. For those shareholders who qualify for either business asset disposal relief (BADR) or investors' relief (IR), the 10% rate remains for the rest of this tax year, but will increase to 14% from 6 April 2025 and then to 18% from 6 April 2026.

For assets qualifying for BADR, the lifetime limit of £1 million of gains has not changed. BADR applies to the disposal of certain business assets, including the sale of a business or the sale of a qualifying shareholding (5% or qualifying enterprise management incentive shares) in a trading company/holding company of a trading group.

However, for assets qualifying for IR, the lifetime limit of £10m has been reduced to £1m from 30 October. This applies to qualifying investor gains on newly issued ordinary shares of an unlisted trading company bought by individuals from 17 March 2016 and held for at least three years starting from 6 April 2016.

National Minimum Wage
from April 2025:

- The over 21s rate increases from £11.44 to £12.21 per hour (up 6.7%) or £23,873.60 per annum for a full-time worker.
- The 18–20-year-old rate sees the biggest ever increase from £8.60 to £10 (up 16.3%), up by £2,737 to £19,522 pa.

National Insurance

Whilst there is now a roadmap for corporate taxation, allowing for stability over the next four or five years, there is a rise in Class 1 National Insurance for employers from 13.8% to 15%. This, when combined with the lowering of the NIC threshold to £5,000pa (down from £9,100), will be a significant increase in fixed costs for businesses.

Retailers will need to look at the entire suite of options to either reduce or pass on costs. As this report has shown, employment within the Motor 150 cohort is now back at pre-pandemic levels, which could suggest there is room for a headcount review or perhaps a recruitment freeze which in turn could lead to improved productivity.

However, before cutting staff numbers, businesses are likely to look at other areas such as remuneration levels, tax-efficient benefits, bonuses and pensions.

National Minimum Wage

The Budget saw significant increases to National Living Wage (NLW) and National Minimum Wage (NMW) rates.

From April 2025 the NMW rates will be:

- The over 21s rate increases from £11.44 to £12.21 per hour (up 6.7%) or £23,873.60 per annum for a full-time worker.
- The 18–20-year-old rate sees the biggest ever increase from £8.60 to £10 (up 16.3%), up by £2,737 to £19,522 pa.

The new NMW rates represent a substantial financial cost for employers with large numbers of lower paid workers. However, compliance with NMW rules is much broader than rate of pay alone. For employers who pay everyone the top NMW rate regardless of age, the buffer for NLW/NMW rates has been reducing year-on-year. This reduction means that employers need to be more vigilant in ensuring compliance with NMW regulations.

If a worker aged 18-20 was underpaid by £1 in 2023, correcting this underpayment after April 2025 could cost £3.34. This is due to the rules regarding underpayments being paid back at the rate in the year it is paid, rather than the year it occurred. Most underpayments are due to errors or misunderstandings so employers should carefully review their policies and processes.

For auto retail this will target the apprenticeship market but as there is also a move to merge all the rates for over-18s into one with no split depending on age it could have a wider impact.

Employee Car Ownership Schemes (ECOS)

In an aim to counter the solutions that allow businesses to provide a car to staff without incurring Benefit-in-Kind taxation, ECOS plans will be the subject of a consultation with a view to removing the benefits that they provide in April 2026.

Those businesses running or using third party employee car ownership schemes will need to follow how the consultation and draft legislation unfolds in the next year.

Retailers should take part in the consultation process so that they not only have a voice but also ensure that HMRC understand how such schemes work in a wider context.

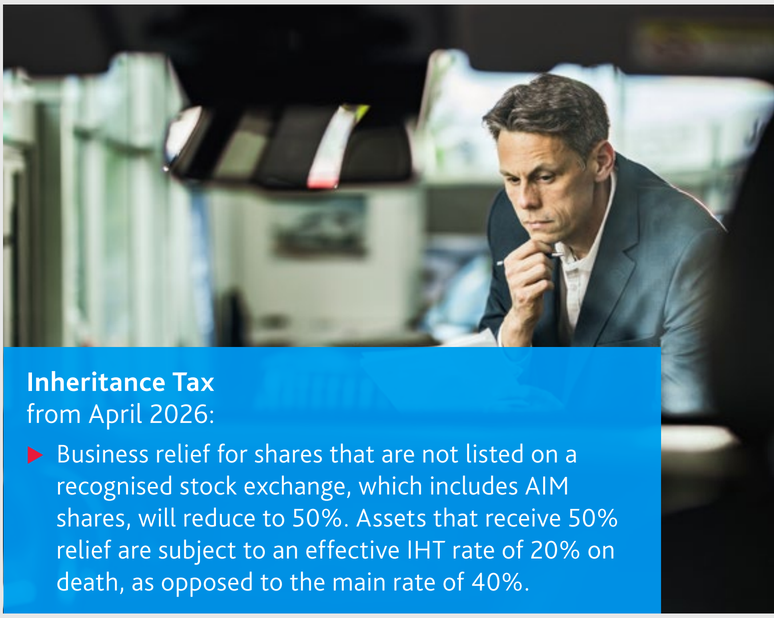
Until we see the draft legislation, the only useful planning will be to keep open lines of communication with staff and suppliers who use such schemes. However, it may be useful to include an option to end schemes at the end of the 2025/26 tax year. For those OEMs using employee car ownership schemes as a way of feeding the used car market with good, low-mileage, low-age stock they should also look to join the consultation process as well as look for alternative routes to market.

Inheritance Tax

Several changes were made to inheritance tax (IHT) in the Budget, however, there was not the anticipated fundamental overhaul with no amendments made to lifetime gifts, taper relief or capital gains tax on inherited property.

What is significant within IHT are business relief changes and agricultural relief reforms. There reliefs are currently uncapped but from 5 April 2026, the first £1m of combined agricultural and business property will continue to receive 100% relief, with 50% relief on amounts over £1m.

Business relief for shares that are not listed on a recognised stock exchange, which includes AIM shares, will reduce to 50%. Assets that receive 50% relief are subject to an effective IHT rate of 20% on death, as opposed to the main rate of 40%.



Inheritance Tax
from April 2026:

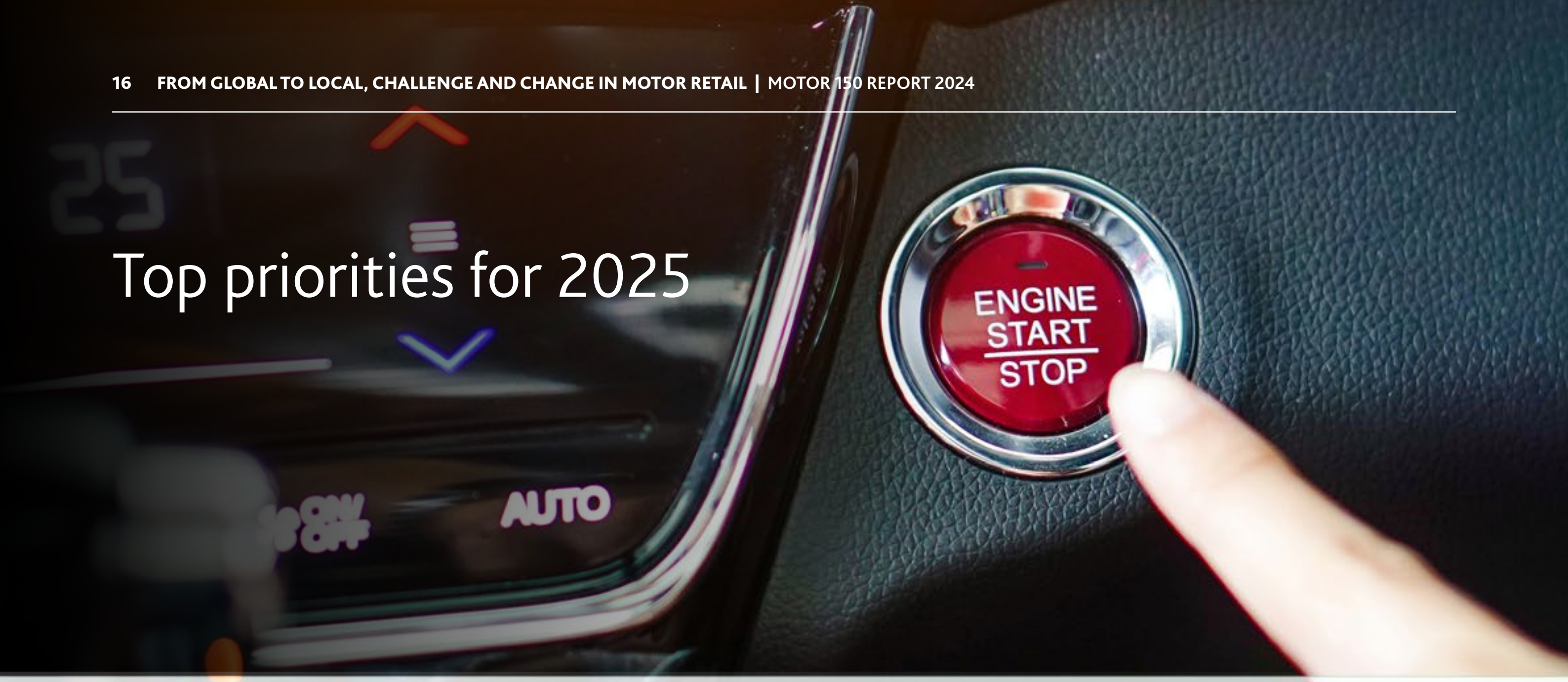
- Business relief for shares that are not listed on a recognised stock exchange, which includes AIM shares, will reduce to 50%. Assets that receive 50% relief are subject to an effective IHT rate of 20% on death, as opposed to the main rate of 40%.

The £1m will effectively be a 'lifetime allowance', covering the estate on death, failed gifts in the seven years before death and lifetime transfers into trust. Any unused allowance will not be transferable between spouses.

Trusts will receive a combined £1m allowance. However, where a settlor has settled multiple trusts before 30 October 2024, each of those trusts will have its own £1m allowance.

The other key announcement for pensions was the effective abolition of the IHT exemption from 6 April 2027. This is perhaps not surprising, given the prevalence of defined contribution schemes (which can be inherited), and the recent abolition of the lifetime allowance charge. The Chancellor's stated aim is to prevent pensions from being used as a tool for avoiding IHT.

However, if an individual dies on or after their 75th birthday, withdrawals from the pension by beneficiaries is subject to income tax at their marginal rate, meaning that funds could be subject to overall effective taxes of up to 67% before reaching the beneficiary. The published Budget documents do not mention this fact, but a consultation has been announced during which it will almost certainly be raised. Pension funds inherited by spouses will continue to be free of IHT.



Top priorities for 2025

1 Build a positive working relationship with your OEM partner

Having a positive relationship with your manufacturer partner, or partners, makes it far more likely that you can impact any changes rather than any changes impacting you. Motor retail and the wider automotive industry is continually changing. Tackling those changes together with your brand will result in a more profitable outcome than continually fighting the manufacturer. This doesn't just apply to the introduction of the agency model, it applies to all aspects including training, site size and even CI upgrades.

2 Keep examining your monitoring processes to prevent fraud

As cars become increasingly expensive and disposable income doesn't keep pace, the likelihood of fraud increases as people are put under financial pressure. Fraud can come from many different directions. Customers can use false information to obtain vehicles while staff can develop schemes to defraud the business. Fake suppliers can also target your operations for weaknesses in payment processes. Having the checks and procedures in place to defeat these risks is more vital than ever before.

3 Positioning now for a possible exit in the future

Given the current economic environment, especially after the Budget announcements, timing and market positioning is critical for successful M&A transactions. Retailers should carefully consider their strategic options, particularly in relation to their brand partner's network developments and the ongoing shift to EVs. Those who can position themselves as successful operators in these areas will be well-placed to attract interest from international buyers.

4 Cyber security

Data and cyber security aren't just about ensuring your business stays within the regulations to avoid significant penalties and fines. Data breaches must be reported, which means they will become public and can have a serious impact on brand reputation. Both the regulations and the reputational damage can also be carried over from acquired businesses, which makes due diligence in this area particularly important.

5 Reassess your tax strategy

With a suite of changes announced in the 2024 Budget either with immediate activation or flagged for future change, retailers should now reassess both their personal and business tax strategies to ensure they will still achieve the desired objectives. Several of the changes will have combined results which on their own may not seem too drastic, but when interlinked with other tax adjustments may require further consideration. As a number of consultations and draft legislation will be issued in the new year, retailers should stay alert to these updates and consider these in their thinking.

6 Financing your business

With the continued pressure on results and the impact of the tax changes in the Budget. there will be increasing pressure on the financing of businesses and the related banking covenant compliance. Dealers should ensure their budgeting and forecasting covenant compliance model is robust and provides the required visibility. Dealers should actively and positively engage with their bankers as they would do with their OEM's.

Conclusion

Converging stressors dominate motor retail

To write that the motor retail sector is undergoing a period of unprecedented change would be trite, particularly after the shock of the Covid pandemic which caused more disruption than anyone could have imagined. Economic strains, electrification both of vehicles and the network to support them, increasing overheads, strict finance and data regulations plus OEM network restructuring (including the adoption of agency sales) all make running a successful motor retail business hugely difficult.

For those retailers looking to simply succeed and grow organically, monitoring every aspect of the business to gain an advantage against the competition is one thing, but for those looking to grow by acquisition the level of knowledge needed is even more important. The same applies in terms of preparation for those looking to exit the market.

For any motor retail operation, addressing challenges and adapting to change has always been a core skill. In today's automotive landscape, technology can help tackle the change, but strong leadership with a high level of knowledge and experience is also vital.

This BDO Motor 150 Report takes a broad view of the industry and provides some of the information that hopefully will bolster that skill level and raises the questions motor retail leaders should be asking in order to make their future a success.

So what do we predict for 2025?

Network changes – more movement in OEM network strategies including new entrants, changes in ownership and territory updates.

Digital – further use of AI by OEM's and Retailers in maximising efficiencies from marketing to how data is captured and used, freeing up or generating the need for lower headcounts.

Agency – more OEM's concluding on when to adopt and what their agency model will look like.

Consumer Confidence – the need to maintain and improve confidence in the marketplace as a result of Labour government policies, Budget changes, interest rate movements and fallout of the current and future DCA decisions.

The Motor 150 Group

The numbers

Consolidated

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Turnover	**85,977**	**77,434**	**70,790**	**60,581**	**69,744**
Cost of sales	(76,177)	(68,087)	(62,351)	(53,976)	(62,206)
Gross profit	**9,800**	**9,347**	**8,439**	**6,605**	**7,538**
Gross profit %	11.40%	12.07%	11.92%	10.90%	10.81%
Operating expenses	(8,304)	(7,546)	(6,901)	(6,627)	(7,097)
Other operating income	210	257	379	732	183
Operating profit	**1,706**	**2,058**	**1,917**	**710**	**624**
Interest paid	(524)	(299)	(240)	(270)	(269)
Interest received	55	35	29	9	14
Profit before tax	**1,237**	**1,794**	**1,706**	**449**	**369**
Taxation	(301)	(370)	(391)	(185)	(116)
Profit after tax	**936**	**1,424**	**1,315**	**264**	**253**

Consolidated balance sheet

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Fixed assets					
Intangible	1,078	1,142	1,033	1,141	1,203
Tangible	9,172	8,296	8,021	7,759	7,278
Investments	300	488	210	100	296
	10,550	**9,926**	**9,264**	**9,000**	**8,777**
Current assets					
Stock	13,980	12,070	10,089	11,075	12,501
Debtors	3,949	3,514	3,122	3,209	3,362
Cash	1,906	2,062	1,839	1,968	896
Other	339	280	306	522	414
	20,174	**17,926**	**15,356**	**16,774**	**17,173**
Debtors due after more than one year	21	48	47	27	37
Total assets	**30,745**	**27,900**	**24,667**	**25,801**	**25,987**

Consolidated balance sheet Continued

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Current liabilities					
Loans and bank overdrafts	4,986	4,366	4,295	3,907	5,363
Trade and other payables	13,145	11,529	9,067	11,614	11,207
Current tax liabilities	64	89	277	58	61
	18,195	**15,984**	**13,639**	**15,579**	**16,631**
Non-current liabilities					
Loans and bank overdrafts	2,720	2,706	2,695	2,893	2,210
Trade and other payables	470	444	339	527	556
Pension liabilities	(2)	26	180	250	149
Provisions	128	121	139	97	134
Deferred tax	287	249	183	102	150
	3,603	**3,546**	**3,536**	**3,869**	**3,199**
Total net assets	**8,947**	**8,370**	**7,492**	**6,353**	**6,157**
Capital and reserves					
Share capital	906	882	1,026	931	861
Share premium	474	466	399	347	432
Profit and loss account	7,128	6,617	5,665	4,695	4,530
Revaluation reserve	172	183	174	170	146
Other reserves	267	222	228	210	188
Total equity	**8,947**	**8,370**	**7,492**	**6,353**	**6,157**

Motor 150 Company names

Allen Ford (UK) Limited
Ancaster Group Limited
Arden Maidstone Limited
Arnold Clark Automobiles Limited
AWR Holdings UK Limited
Barretts of Canterbury Limited
Bassett Property Holdings Limited
Baylis (Gloucester) Limited
Bells Motor Group Limited
Birchwood Motor Group Limited
Breeze Motor Company Limited
Bugle Inn Motor Company (Holdings) Limited
Burrows Motor Company Limited
C.E.M Day Limited
Caffyns plc
Cambria Investment Holdings Limited
Cameron Group (Perth) Limited
Carco Group
Cars 2 Limited
Cathedral Motor Company Limited
Central Garage (Uppingham) Limited
Chapel House Holdings Limited
Citygate Automotive Limited
Cotswold Motor Group Limited
Cox Motor Group Limited
Currie Motors Limited
D. M. Keith Limited
Decidebloom Limited
Dick Lovett Companies Limited
Donnelly Bros Garage (Dungannon) Limited
Drift Bridge Garage Limited

Drive Motor Retail Limited
Eastern Western Motor Group Limited
Eden Automotive Investments Limited
EMG Anglia Limited
Endeavour Automotive Limited
F.G. Barnes & Sons Limited
F.J. Chalke Limited
F.R.F South Wales (Holdings) Limited
Fish Brothers (Holdings) Limited
Foray Motor Group Limited
Ford Retail Limited
Furrows Holdings Limited
Gates Group Limited
George Thurlow and Sons (Holdings) Limited
Glyn Hopkin Limited
Grafise Limited/Squire Furneaux Cobham Limited
Gravell's Limited
Greenhous Group (Holdings) Limited
Grevan Cars Limited
Group 1 Automotive UK Limited
Group 1 Retail Limited
Guildford Portfolios Limited
H. R. Owen plc
Halliwell Jones Limited
Hartwell plc
Harwoods Limited
Hawco & Sons Limited
Hawkins Motors Limited
Hazelwood Motor Company Limited

Hendy Automotive Limited
Heritage Automotive Limited
Holden & Holden Limited
Horizon Motor Company Limited
Howard Garages (Weston) Limited
J.T. Hughes (Oswestry) Limited
Jacksons (C.I.) Limited
JCB Medway Limited
JCT600 Limited
Jemca Car Group Limited
John Clark (Holdings) Limited
John Grose Group Limited
Johnsons Cars Limited
L&L Inc Limited
Lipscomb Cars Limited
Listers Group Limited
Lithia Motors Group UK Limited
Lloyd Motors Limited
Lookers plc
LSH Auto UK Limited
Marriott Motor Group Limited
Marsh Wall Limited
Marshall Motor Holdings Limited
Marubeni Auto Investment (UK) Limited
McLean & Appleton (Holdings) Limited
Mike Pulman Limited
MJT Securities Limited
Mon Motors Limited
Motorvogue (Northampton) Limited
Motus Group (UK) Limited

Murray Holdings (SW) Limited
Nathaniel Car Sales Limied
Ocean Automotive Limited
Park Lane Limited
Parks of Hamilton (Holdings) Limited
Parkway Derby Limited
Partridge of Hampshire Holdings Limited
Penton Securities Ltd/Wilson Investment Holdings Limited
Peoples Limited
Perrys Group Limited
Peter Cooper Motor Group Limited
Peter Vardy Holdings Limited
Pinewood Technologies Group Plc
Porsche Retail Group Limited
Read Motor Group Limited
Reliance Garage (Ryedale) Limited
Renault Retail Group UK Limited
Renrod Holdings Limited
Richmond Cars Limited
Riverside Motors Holdings Limited
RJTK Investments Limited
Rybrook Group Limited
S.G. Petch Limited
Saftdwin Limited
Sandal Motors (Bayern) Limited
Sandicliffe Motor Holdings Limited
Sandown Motors Limited
Shelbourne Motors Holdings Limited
Simon Bailes Limited
Sinclair Motor Holdings Limited

Snows Business Holdings Limited
St. Leonards Motors Limited
Stellantis &You UK Limited
Stephen James (Automotive) Limited
Steven Eagell Limited
Sutton Park Motor Company Limited
Swansway Group Limited
Sytner Group Limited
T. Hayselden Limited
T.C. Harrison Group Limited
T.G. Holdcroft (Holdings) Limited
Tanner Automotive Limited
Thames Motor Group Limited
TMS Limited
Vantage Motor Group Limited
Vertu Motors plc
Vindis Group Limited
Vospers of Plymouth Limited
W Brindley (Garages) Limited
W.H.Bowker Limited
W.J.King (Garages) Limited
W.R. Davies (Motors) Limited
Walter E Sturgess & Sons Limited
Waylands Automotive Limited
Wessex Garages Holdings Limited
William Morgan Group Limited
Williams Motor Co. (Holdings) Limited
Wilmoths Holdings Limited
Worcester Carsales 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 2023 to 31 March 2024 being the most recent accounts filed at Companies House at the time of the compilation of this report. For companies with December year ends (118 in the population) the 'current period' will be the year ended 31 December 2023. For January to March year ends (13) the current period is that ending in 2023. For April to November year-end companies (19), 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 2023.

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 27% 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.

Our core team

People you want to work with

Chris Bond
Head of Motor Retail
Partner, Tax
+44 (0)7792 018 593
chris.bond@bdo.co.uk

Helen O'Kane
Partner
M&A
+44 (0)7966 008 617
helen.o'kane@bdo.co.uk

James Evans
Director
Audit
+44 (0)7812 734 631
james.evans@bdo.co.uk

Chris Rowe
Partner
Indirect Tax
+44 (0)7791 245 228
chris.rowe@bdo.co.uk

Hung Nguyen
Associate Director
Tax Innovation
+44 (0)7554 112 827
hung.nguyen@bdo.co.uk

James Kershaw
Manager
Business Restructuring
+44 (0)7966 231 447
james.kershaw@bdo.co.uk

Steve le Bas
Partner
Audit
+44 (0)7900 264 277
steve.lebas@bdo.co.uk

Ryan Pring
Associate Director
Risk Advisory
+44 (0)7976 198 743
ryan.t.pring@bdo.co.uk

Sakib Isa
Partner
Audit
+44 (0)758 300 2587
sakib.isa@bdo.co.uk

Ravi Gohel
Assistant Director
Indirect Tax
+44 (0)7449 472 115
ravi.gohel@bdo.co.uk

Jack Treacher
Associate Director
Employment Taxes
+44 (0)7442 771 524
jack.treacher@bdo.co.uk

Louise Sadler
Senior Manager
Privacy & Data Protection
+44 (0)7795 012798
louise.sadler@bdo.co.uk

Sector specialists in motor retail

You could benefit from the advice and insight of an adviser who has a real depth of knowledge of the car industry and motor dealerships. Whether it is tackling compliance with FCA regulation, performance and profit improvement, employment tax advice or trying to refinance banking facilities, our goal is to help you make the right decision that will benefit your motor retail business.

Wherever you operate, there is a BDO partner or specialist with the knowledge and experience to make a real difference to your business.

Our audited entities and clients include franchised dealerships and used-car operations and range from single to multi-franchised groups. We work with each motor retail business to address their unique needs and opportunities. This combination of breadth and depth of experience and commitment to exceptional service has made us one of the top advisers to motor dealerships in the UK.

FOR MORE INFORMATION:

Chris Bond

Head of Motor Retail

+44 (0)7792 018 593
chris.bond@bdo.co.uk

www.bdo.co.uk

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