

Summary Report

Motor Service & Repair Industry





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1.1 Overview of the Market

In the UK, the Motor Repair and Service Industry has an estimated market size of £27.3bn in 2018, a 3% increase on the previous year. The industry has benefitted from a strong compound annual growth rate (CAGR) of 3.2% through the five years to 2019. Industry operators provide essential and non-essential repair and maintenance services to private and commercial customers. The number of registered cars in the United Kingdom has increased, driven primarily by an increase in new car sales. Although new cars tend to require fewer repairs, the greater number of cars on the road has stimulated continued demand for industry services over time.

Technological advances have lengthened the life and improved the safety of vehicles over the past five year. Additionally, car parts have become more durable over the past decade, lengthening their replacement cycles. The number of collisions and serious accidents is also declining, which has reduced demand for post-collision repair work. Furthermore, although the number of cars in the United Kingdom has risen, car usage levels have been falling for several years due to higher running costs and car sharing schemes. These trends are expected to continue through the coming five years.

Growth is forecast to continue over the five years through 2023-24, with an expected CAGR of 2.0%. New cars sales are expected to fall in the short term, which is likely to benefit demand for maintenance and repairs and offset slowing demand for discretionary options like bodywork services. Fuel prices are forecast to increase over the next five years, which could provide a further incentive for customers to use public transport, to the detriment of industry operators. In addition, reduced car usage is expected to weigh on industry performance over the next five years. Expansionary demand effects are likely to outweigh contractionary effects, as evidenced by the forecasted growth rate.

Source
IBISWorld (Sep 18)
Plimsoll (Oct 18)

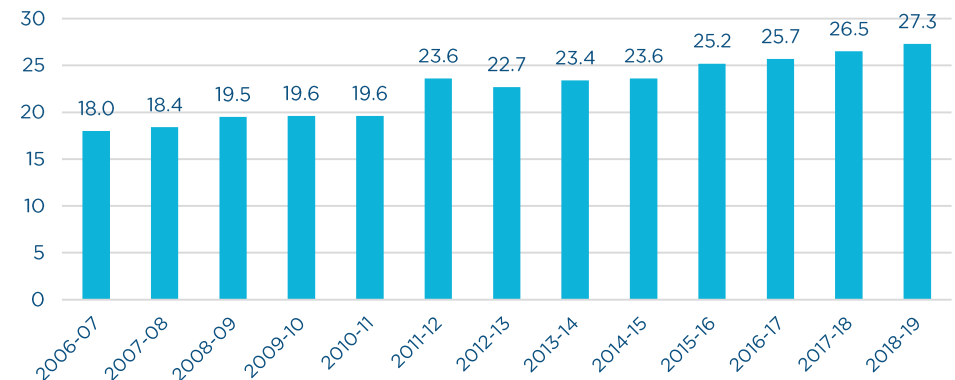
1.2 Motor Service & Repair Companies

A profitability analysis on the sector from a pool of 655 leading UK-based Garage Services companies revealed the following points:

- 288 companies in the industry increased in value over the last year, 113 of these increased by more than 25%
- 218 companies decreased in value, 88 of these decreased by more than 25%
- The most profitable 248 companies made an average profit margin of 4.5%
- The least profitable 407 companies made an average profit margin of 0.0%; the industry average was 1.5%

Based on analysis, companies were rated on their 'likelihood of continued performance or 'Strength'; a total of 273 companies were given the highest available rating, 'Strong'. 154 received the lowest rating, 'Danger'. Despite the large amount of companies in danger, there were 112 companies that were highlighted as 'highly attractive' takeover prospects with a further 507 companies that are 'worth considering'.

Market Size (£bn)





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Industry Benchmarking Information | September 2018

Hallidays' client base consists of small to lower mid-market enterprises. As such, our benchmarking analysis reflects businesses with turnover below £20m, in line with the majority of our clients in this sector.

Benchmarking	Mean	Median	Lower Quartile	Upper Quartile
Turnover Growth/Decline (%)	(2.50)	1.16	(10.72)	9.32
EBIT Margin (%)	3.63	4.09	0.70	10.13
EBIT Growth/Decline (%)	(2.00)	(7.02)	(57.69)	49.67
EBITDA Margin (%)	7.51	5.89	2.10	14.76
EBITDA Growth/Decline (%)	(7.95)	(4.98)	(46.04)	32.58
Total Net Assets Growth/Decline (%)	10.55	5.87	(9.83)	19.55
Current Ratio	3.51	1.25	0.82	2.57

Source
Experian Market IQ (as of September 2018)

Criteria
Using full company accounts filed in the last two years.
Excluded companies with nil turnover in either period.
Search Criteria: SIC-Code "452 - Maintenance and repair of motor vehicles"
Turnover below £20m.

M&A Activity in the Sector

Experian MarketIQ data indicates a total of 236 significant deals in the industry from January 2011 to September 2018, with UK targets. Typically, only deals over £500k are registered including MBIs, MBOs and secondary MBOs.

Upon breaking down the deal type, M&A activity within the sector is mainly categorised by acquisitions, with 213 since January 2011. There were also 15 MBOs. The lack of mergers suggests that M&A in the sector is characterised by larger firms making bolt-on acquisitions of smaller companies.

Deal flow has been significant in each year, with a somewhat volatile trend through 2011-2017 and a significant spike in 2017, at 46 deals, this could be attributed to the aggressive strategies of the major players, as they look to expand market share.

A geographical breakdown of the deal shows that the South dominates M&A activity, however the North West contributing a sizable chunk, with 26 deals.



Funding

Do you know all of the funding solutions available to help you grow your business?

There is a wide range of funding solutions available to you, many of which you may not have heard of, or even considered which we can help you with. It might be worth asking yourself...

Are you keen to find funding to support your innovative plans?
Do you have funding, but you're not sure if it's the right type?

As a registered credit broker, we can answer all of these questions and make accessing funding simple and straightforward. So, if you need a better facility for working capital, or if you're looking for a larger chunk of cash for investing in machinery, marketing or a new product line, then let us know.

Our collaborations with high street banks, Funding Circle, Funding Options and numerous other funders can help you find the funding you need.

Cashflow or Asset Finance

As a Funding Circle Introducer and with our network of funders, we can provide cashflow loans, where this is the right type of finance for your business.

Growth Funds, Venture Capital & Private Equity

If you have a high growth or innovative business, we can help you to secure the right equity and debt investment to reach the next stage in your business' evolution.

Stockport Business Angels

We are the Stockport Business Angels (affiliate of NWBA) and link businesses with the right collaboration and funding from business angels investors.

Invoice Finance (discounting/factoring) / Construction / Trade Finance

Invoice finance is becoming a more attractive option to a bank overdraft, this can ease cash flow, whilst providing a flexible facility.

Funding Success Stories

Hallidays has had a number of successes when it comes to obtaining growth funding for our clients:

- **ABN Amro Bank** £100k invoice finance facility (IFF) – To improve working capital for a seasonal company.
- **Aldermore Bank** £150k IIF – For a creative design studio requiring cash to expand.
- **RBS Invoice Finance** £100k IFF – For an engineering company to purchase bespoke machinery enabling them to fulfil a contract.
- **Lombard** £130k asset finance – For fittings and electronic equipment in a hospitality business.
- **FW Capital** – Growth funding of between £100k-£750k for multiple clients.



HALLIDAYS
CORPORATE FINANCE

If you wish to enquire further about funding, please contact:
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