



GrowCap

Impact of Covid-19: Snapshot Survey of UK Asset and Motor Finance Executives

Results slides - 18th June 2020

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Summary – key questions facing executives in the asset and motor finance markets



GrowCap is a consulting and services firm focused on the asset and motor sector. Our practices cover strategy, analysis and new concept commercialisation; restructuring and operating model design; operational effectiveness and efficiency; organisational development and specialist HR services; emerging technologies; commercial support for finance providers and technology firms; and specialist contract resourcing.

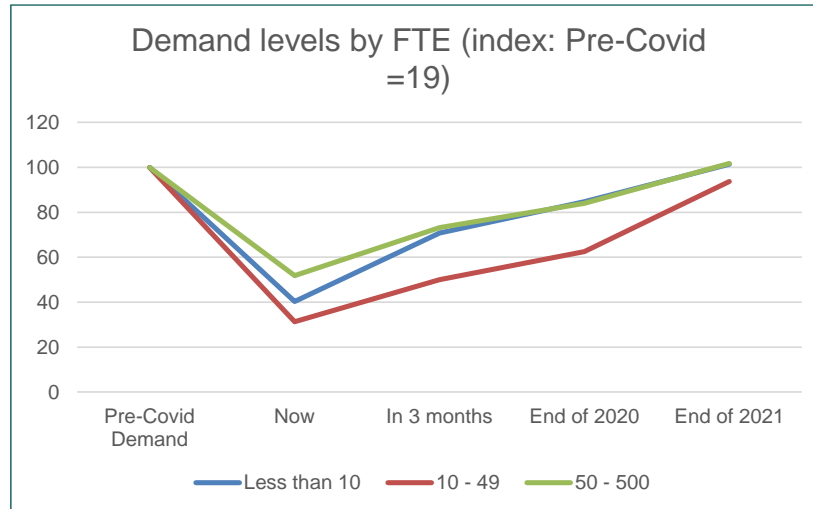
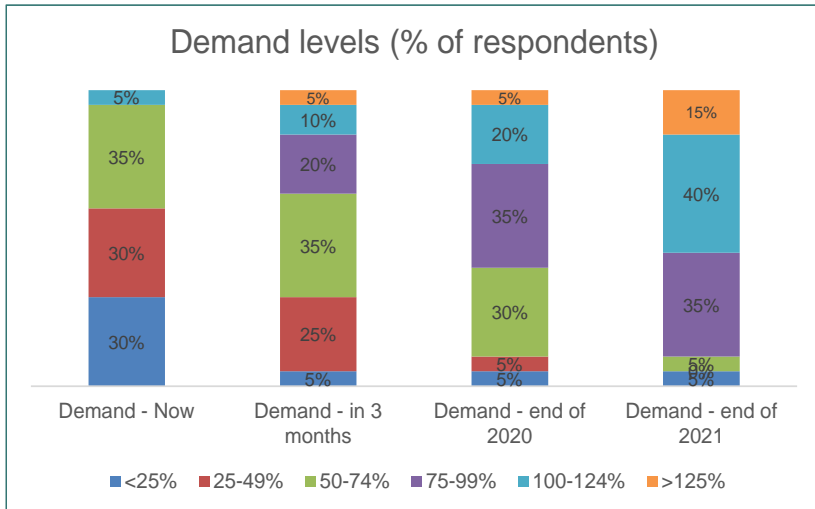
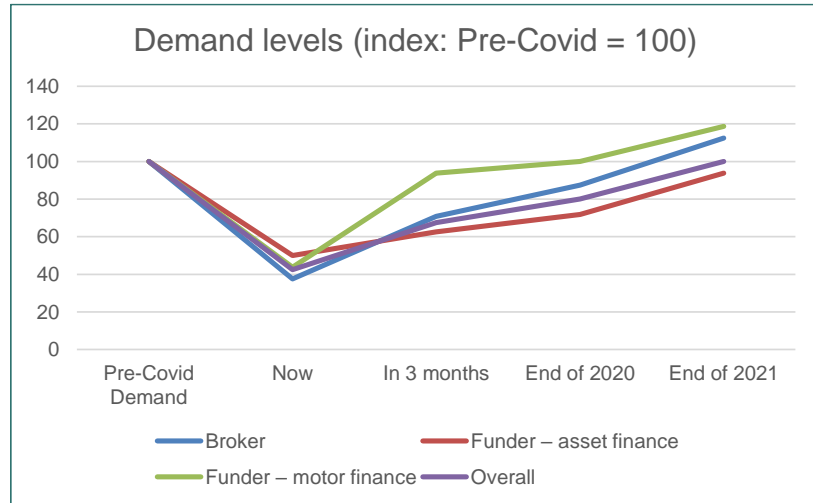
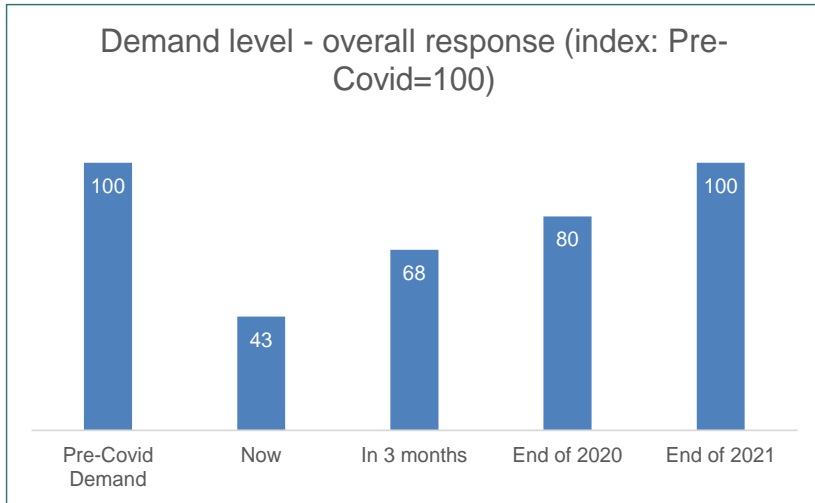
Looking beyond immediate responses to the Covid-19 crisis, in June 2020 we contacted over 500 named UK asset and motor finance executives to gain their perspectives on a range of issues. 37 responded, providing a snapshot of current conditions, outlook and ambition for the future.

The results are presented in the following slides, tackling questions like:-

- **What has happened to demand and what will the recovery look like?**
- **What is the outlook for bad debt?**
- **How important is CBILS?**
- **What are executives' highest priorities?**
- **What will happen to sector employment?**
- **What is the future for home working in our industry?**
- **Where will there be skills shortages?**
- **Where will organisations invest?**
- **What opportunities will come from the crisis?**

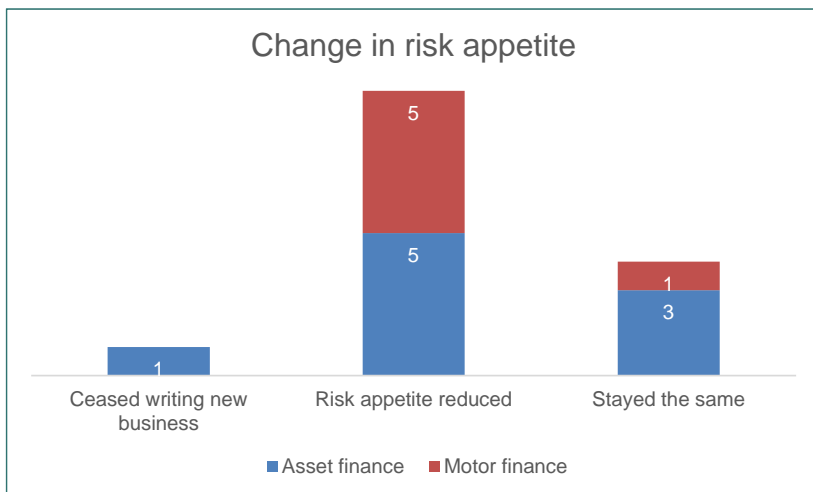
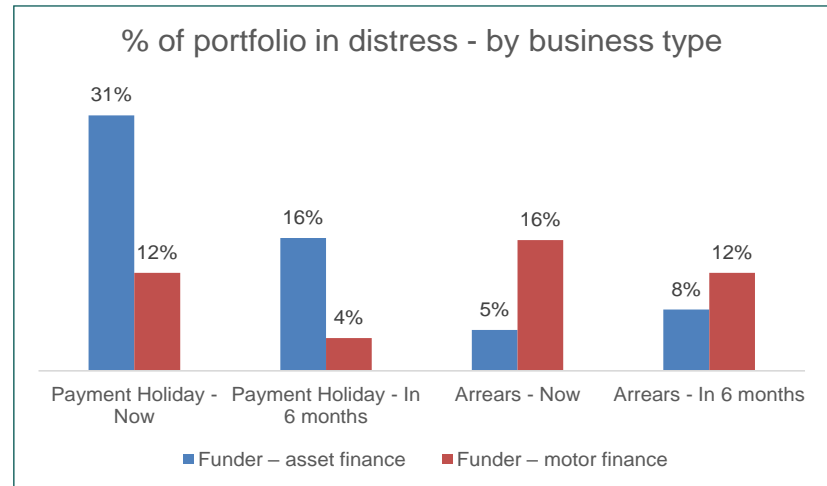
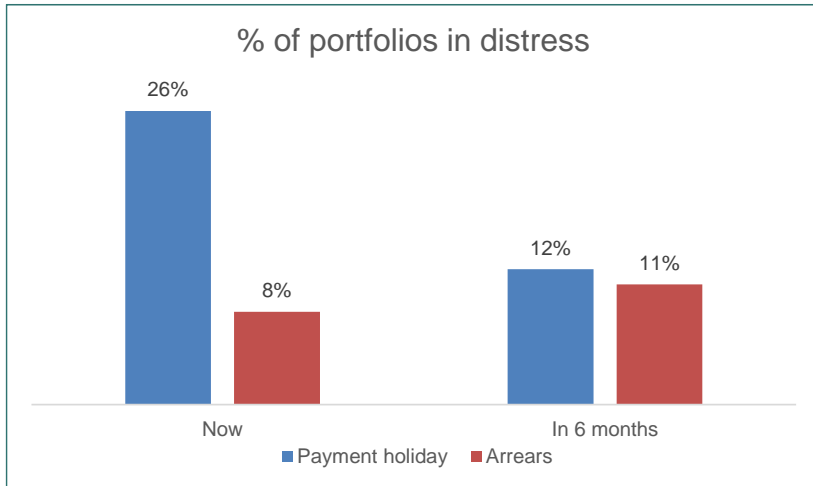
We hope the results provide a useful barometer of industry views and insights that help your organisation manage its own journey. Please be in touch if we can provide assistance.

Responses indicate a fairly consistent view that there will be “lop-sided V” demand recovery, reaching pre-Covid levels by the end of 2021



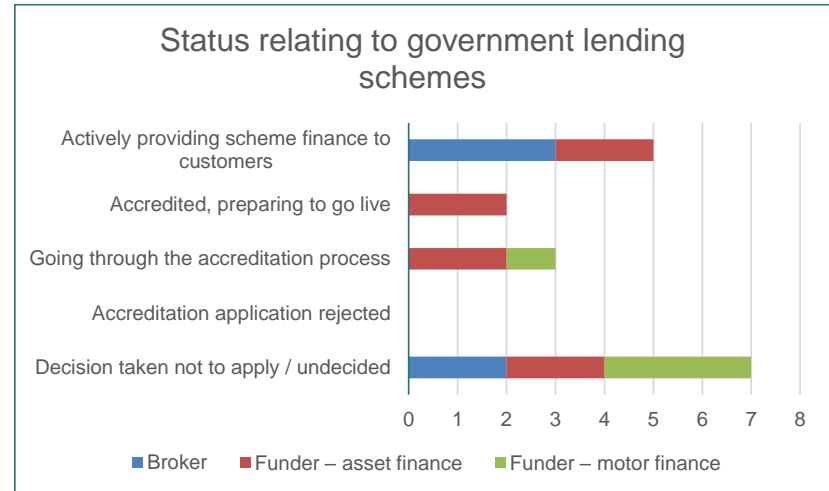
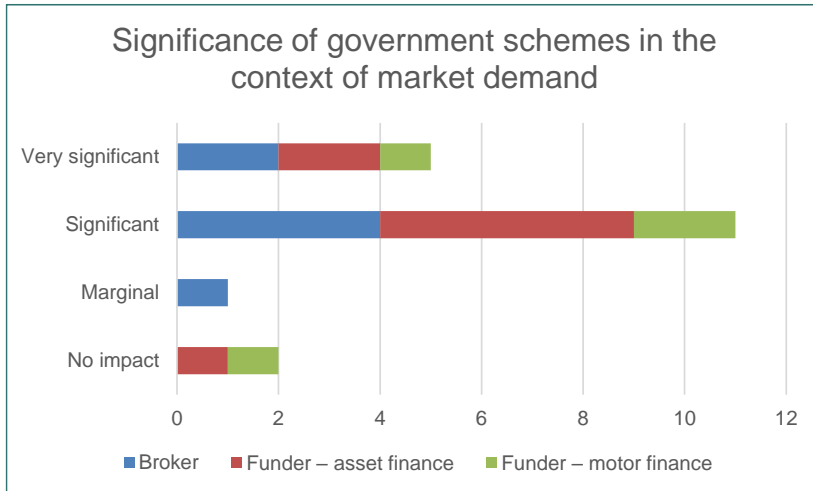
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Responses indicated that on average, 34% of portfolios are in distress (payment holiday + arrears). Payment holidays will decline but still be significant in 6 months, while arrears will grow.

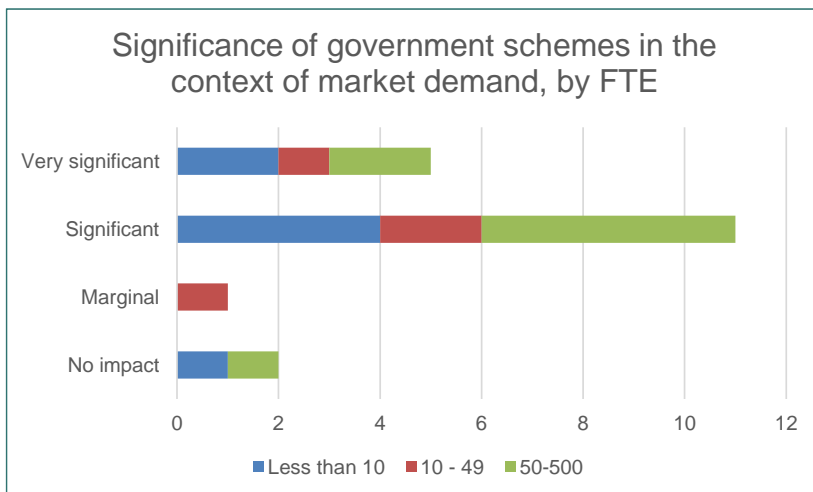


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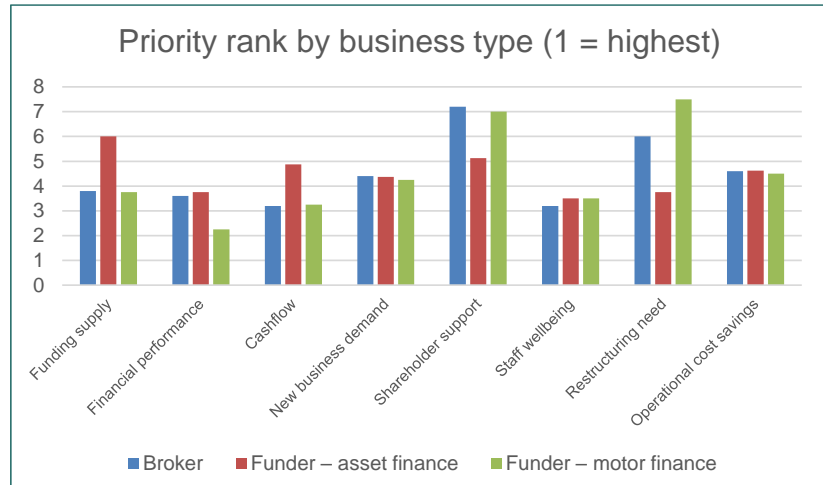
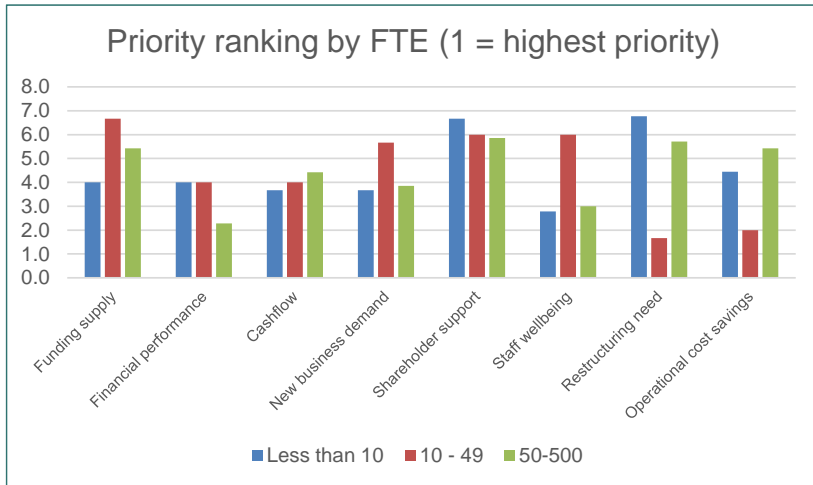
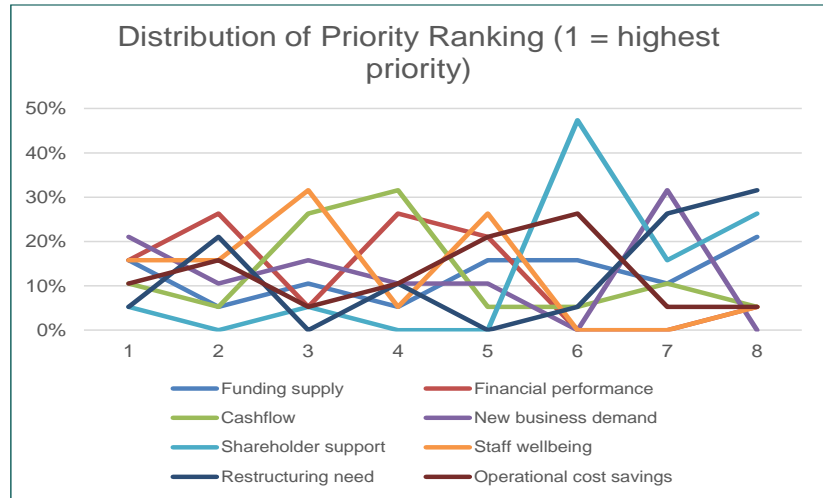
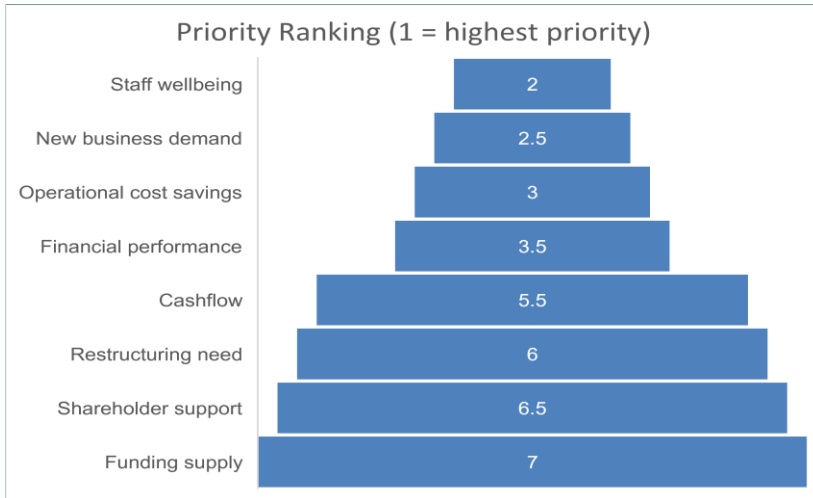
Government lending schemes are significant, in particular in the asset finance market, and for all sizes of provider



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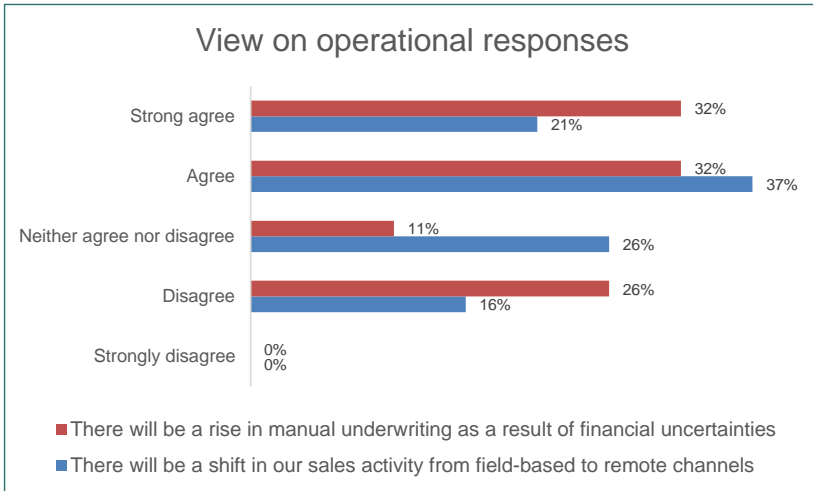
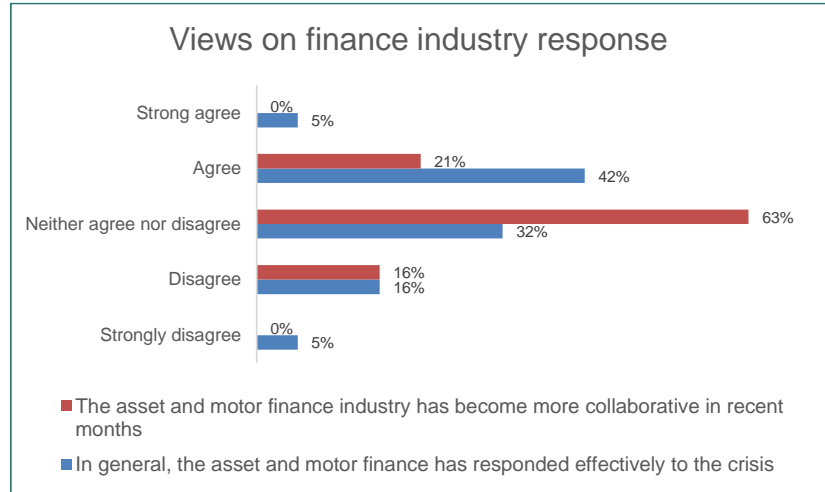
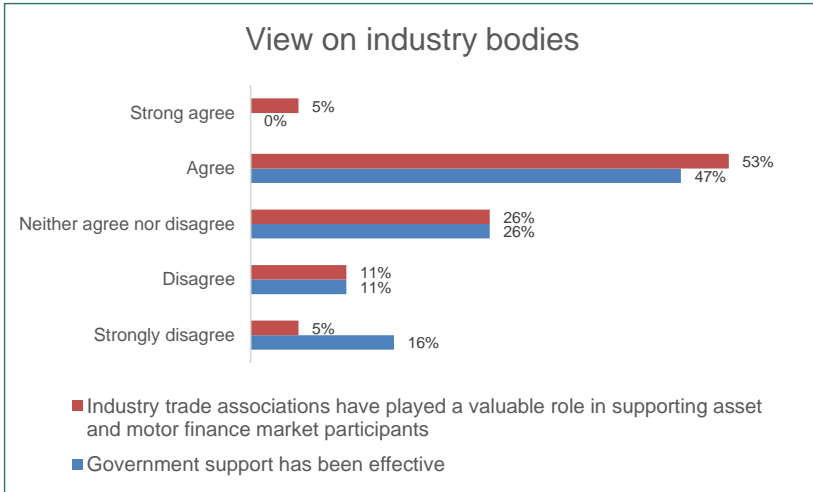


In the short term, staff well-being ranked as the highest priority, alongside P&L drivers (demand and operational cost savings). In general, structural considerations ranked lower at this stage.



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There was a generally positive view of trade association support though some frustrations with government intervention. Responses suggested some reshaping of industry practices.



Comments:-

“Whitehall doesn't understand how the SME real economy works!”

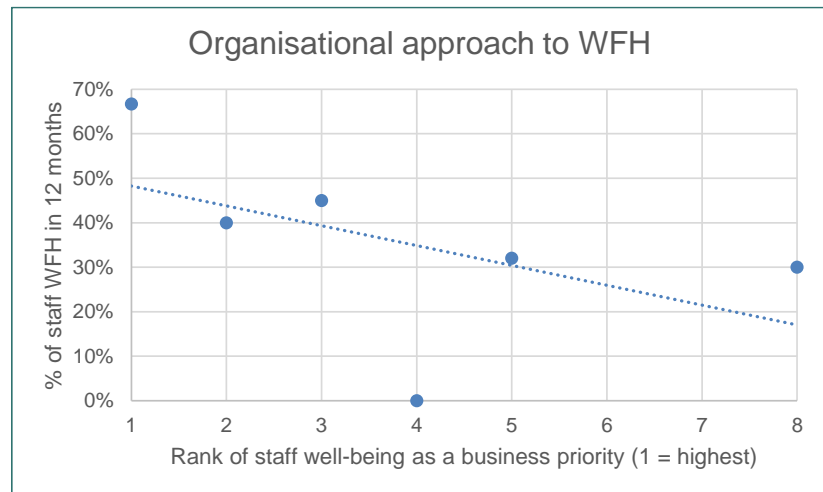
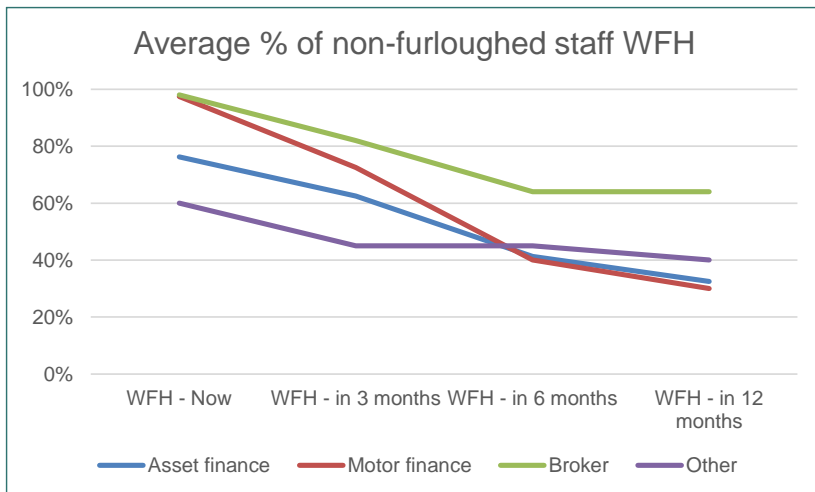
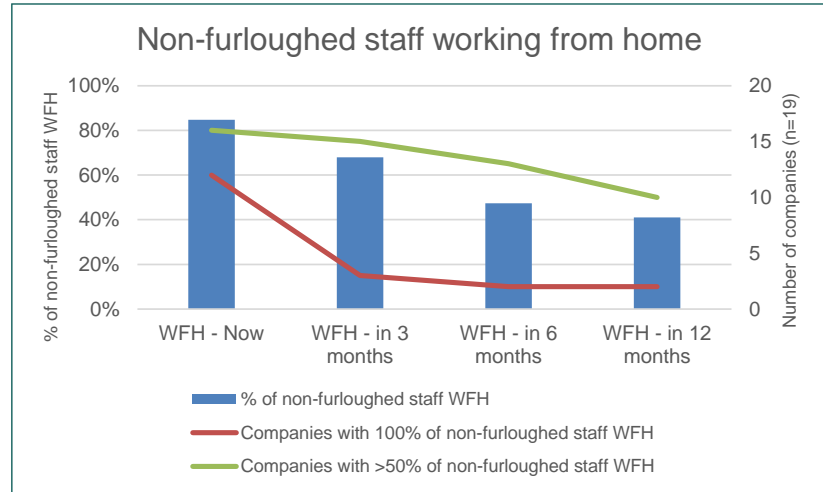
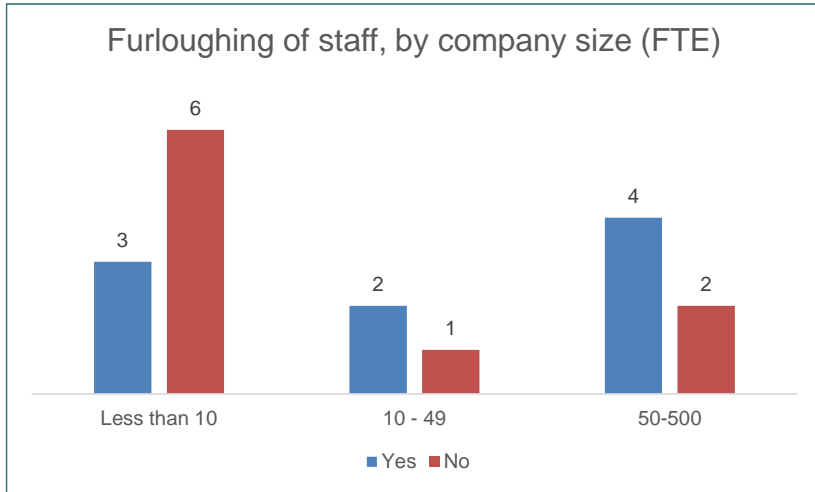
“Government support should have been predominately for the SME business owners and not the employees. Furlough means nothing if there is no support to the owners who are the wealth makers and the business closes.”

“This is an unprecedented situation and generally lenders have responded well to client needs in a very short space of time.”

“The question suggests that manual underwriting is more effective during current uncertainty. That may be true but instead the marriage of high quality and current data with an experienced underwriter is likely to be optimal.”

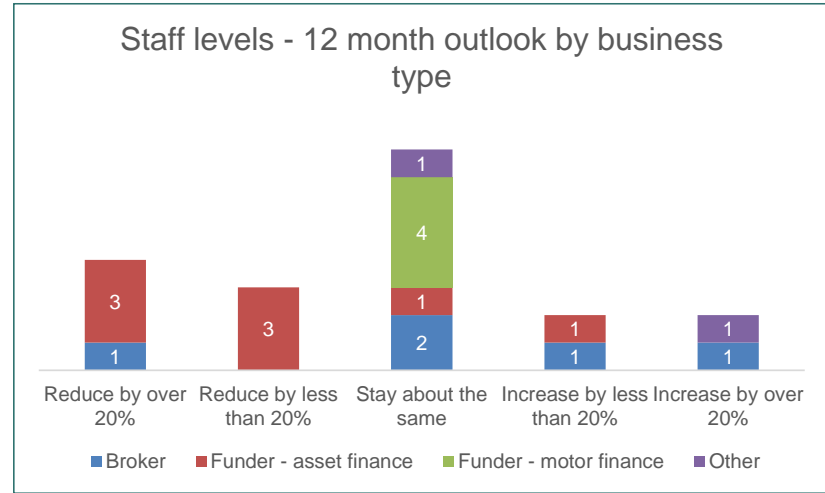
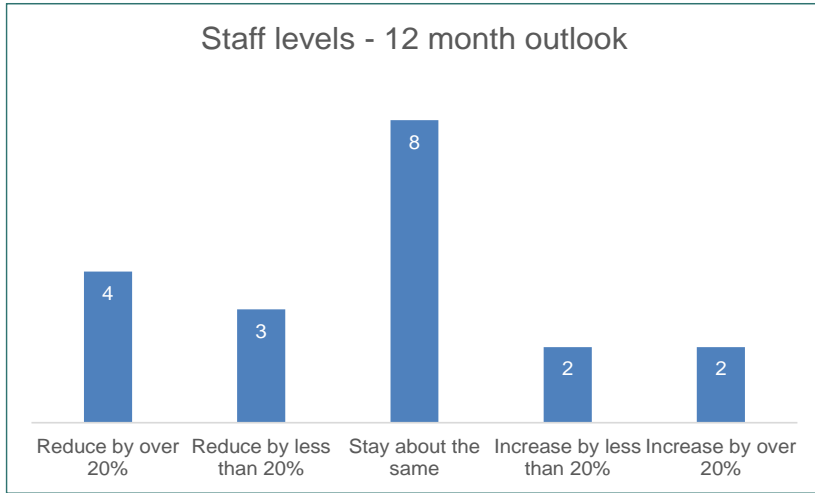
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Around half of respondent firms have furloughed staff. The responses indicate that the level of non-furloughed staff working from home will reduce slowly, to c. 40% of FTE in 12 months

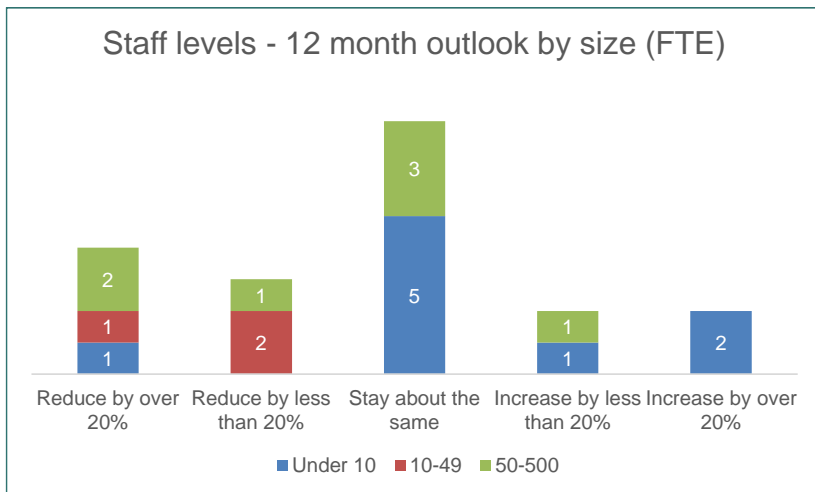


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Responses indicate a downside outlook on staff levels, especially in asset finance and larger companies. No clear relationship was evident between either expected future demand or arrears levels and projected staffing levels.



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Respondents noted a range of opportunities as a result of Covid-19, including a range of commercial opportunities and a significant shift towards digital



Commercial opportunities identified by respondents

"Some lenders have stopped lending which is to our advantage. Think there will be greater demand for second hand cars"

"As part of a well capitalised banking group with growth aspirations, AF new business opportunities will recover quicker than other products."

"If one has cash at the end then there will be acquisition opportunities"

"Leveraging government lending guarantee structures"

"An accelerated move to a digital - on-line business model."

"Adoption of fintech and digitisation of processes by banks"

"Established banks will be focused on their legacy book and defaults. As a nimble funder, lots of opportunities"

"Funders will be more wary, so having an experienced broker will help both them and the client"

"Reduce variable costs, improve quality and cost of new business, diversify distribution channels"

"Increase in near-prime lending and drop in appetite of competition"

"Increased demand for technology and software which will need funding"

"Restructuring of existing finance agreements"

"Rental opportunities"

Within the respondent's own organisation

"More flexible loyal workforce"

"Systems investment to improve current operational dynamics but this will also facilitate new product offering"

"Right-size the business"

"New lending environment requiring the re-birth of new skills and competencies within organisations"

"Sales!"

"Some more flexibility around working arrangements"

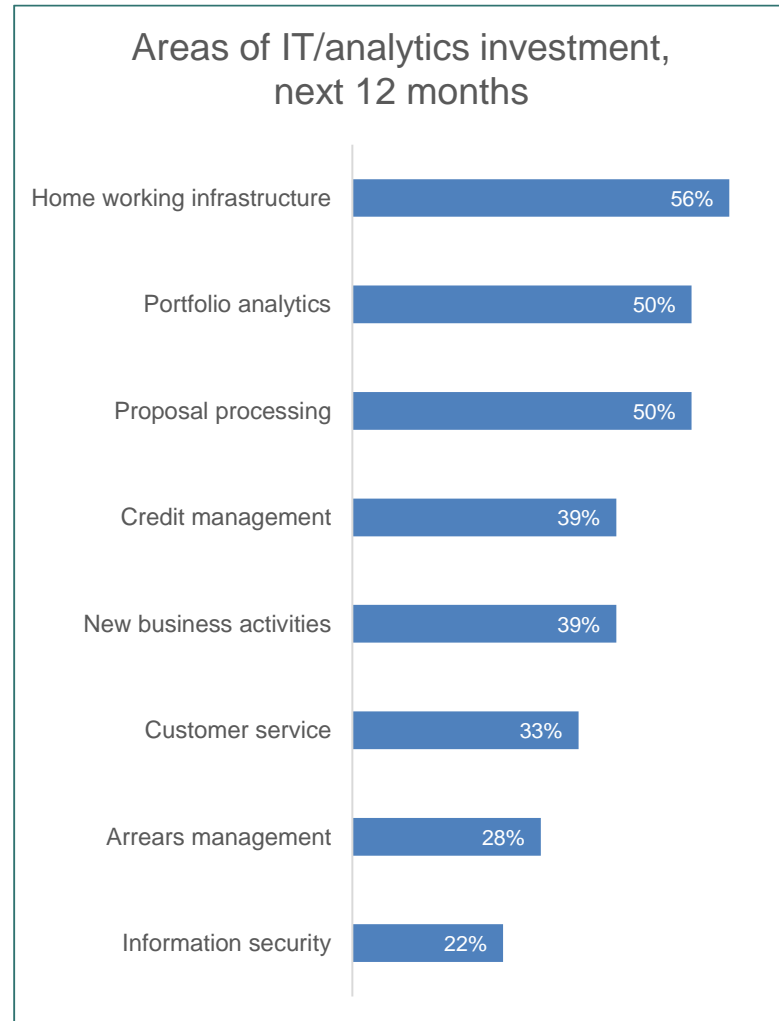
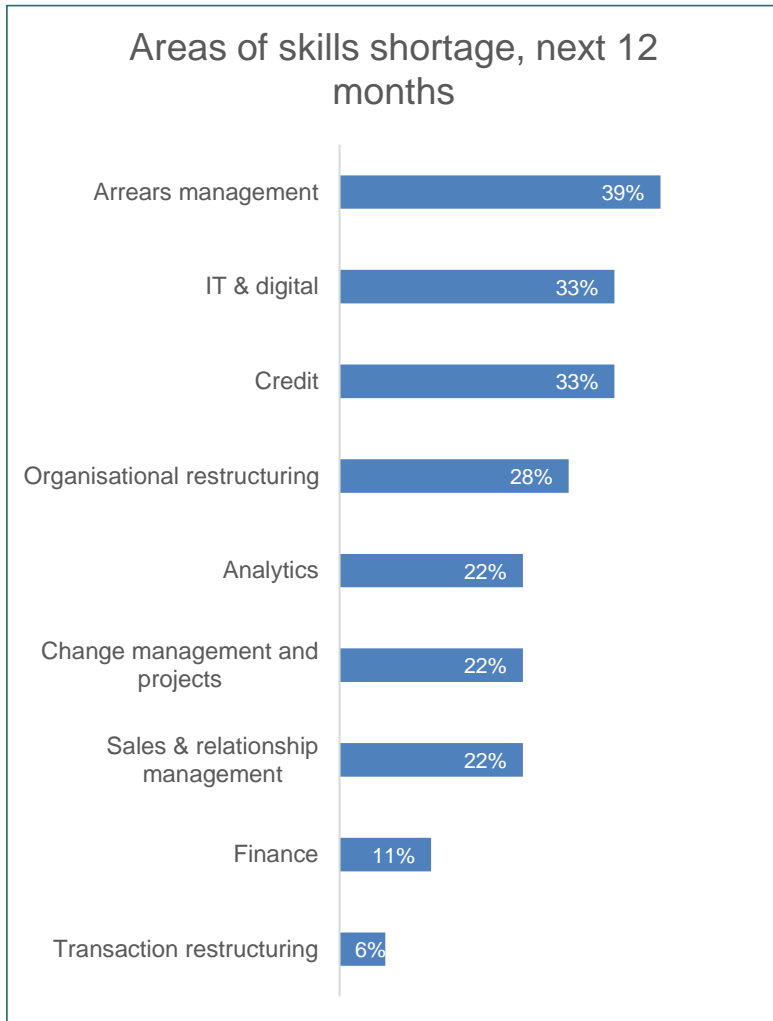
"Ruthless prioritisation of investment, improved flexibility of operating model"

"Increase in partners"

"Restructuring of the Group and its systems will allow for a more forward thinking approach"

"Leaner and more efficient process for dealing with defaulters"

Respondents identified skills shortage and investment to manage existing and new business risks, as well as investment to support home working and digital processing



About GrowCap – practical expertise, leadership and a collaborative approach to drive successful delivery of your change programme



Peter Hunt
Managing Director

Peter has wide-ranging strategic change experience, including as COO of Investec's Asset Finance Group, Head of Strategy for RBS Business & Commercial Banking and Founder of asset finance consultancy Invigors. Relevant projects range from market entry to portfolio analysis and divestment, M&A, business closure, target operating models, new capital and risk models, on-line platforms and fintech partner selection.



Jeff Andrews
Practice Leader, Technology Partnerships

A business development specialist with well-developed networks in the UK and internationally, Jeff's former roles include Managing Director Europe, NetSol Technologies and Business Development Director (Europe & S.E. Asia), White Clarke Group. Jeff also brings significant experience in leading managed service operations and BPO solution development.



Peter Cottle
Practice Leader, Automotive Sector

Recently awarded the "Motor Finance Personality of the Year", former Chair of the FLA Motor Division and a recognised market expert, Peter held commercial leadership roles in Lombard and Bank of Scotland with responsibility for a number of premium motor manufacturer relationships. He is an active participant in industry initiatives, to which he brings deep product, sales and risk insights.



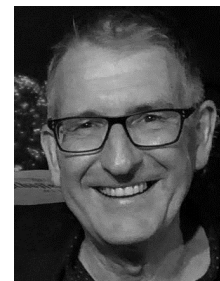
Paul Marston
Practice Leader, SME Lending

Having held MD roles at Lombard, Ratesetter, Secure Trust and NatWest Commercial Banking, Paul has a depth of commercial SME lending experience combined with successfully launching two start-up businesses in the sector. He brings commercial insight, a track record of success leading large sales organisations and the ability to create a positive operating rhythm combining achievement, challenge and good governance.



Mark Stoddart
Practice Leader, Process Transformation

Formerly Head of Professional Services Programmes & Implementation, Large Enterprise Operations at Xerox Europe, with extensive experience in pre-sales, business analysis and a Lean Six Sigma Black Belt, Mark leads our activities in operational effectiveness and efficiency, including implementation of emerging technologies for process automation.



Robert Ingram
Practice Leader, Organisational Development & HR Services

Robert is a highly commercial specialist in organisational transformation and development of people strategies. Formerly at Capgemini as VP HR Global Application Services and Global Outsourcing Services, Robert played a key role in reshaping and radically growing a global professional services operation. Other key areas include M&A implementation, coaching and leadership development.

More information



To discuss any content from the survey, please contact:-

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