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Luxury car retailer drives up half year profits but warns of tough road ahead

By Victoria Masterson

Luxury car retailer drives up half year profits but warns of tough road ahead

THE owner of two Rolls-Royce and Aston Martin dealerships in Scotland has performed better than expected in the first half of the year – but warned of a "material negative impact" from coronavirus in the second half of the year.

"Whilst I am pleased with the results from the first half of our financial year, the material impact of Coronavirus has overtaken the normal operation of our businesses, as it has across the wider motor retail sector," said Mark Lavery, the chief executive of Cambria Automobiles.

The Swindon-based company announced its first move into Scotland in January when it paid £1.6 million in cash to buy the Rolls-Royce and Aston Martin dealerships of Edinburgh-based Leven Cars Group, which had fallen into administration earlier in the month. The move safeguarded 37 jobs at two sites in Corstorphine Road and Bankhead Drive, Edinburgh.

“I think both locations are fantastic and there’s a solid core of associates in both businesses,” Mr Lavery told The Herald. “Edinburgh is a fantastic city to operate in and we see this as being our first acquisition [in Scotland] and a launch pad for the future in Scotland.”

However possible mergers or acquisitions were not of immediate interest. Earlier this week, car retailer Pendragon and rival dealership Lookers ended early-stage merger talks.

“I think the most important thing is the **health** and wellbeing of our associates first off, and when the lockdown eases, the health and wellbeing of the guests that purchase from us,” Mr Lavery said. He said 80% of Cambria’s 1,107 associates, including those in Scotland, were on furlough through the government’s Coronavirus job retention scheme.

For the six months to 29 February 2020, Cambria announced a 14.5 per cent rise in underlying pre-tax profit to £6.3m. The figure strips out the effect of accounting changes and one-off costs and gains related to a sale, acquisition and closure.

Revenues fell 1.7% to £303.1m. New vehicle sales fell 10.1% in volume, as anticipated, but this was offset by an 11.6% increase in average profit per unit. Used vehicle sales grew 2.8% in volume, with profit per unit improving 1.8%.

Mr Lavery said the group had performed well in what were already difficult trading conditions, but added: “The impact of coronavirus cannot be underestimated and despite the significant actions that we have taken to reduce costs, it will have a material negative impact on the financial performance in the second half of the financial year.

“We currently do not have visibility on the exit strategy from lockdown nor on the actions that we will have to take in light of the economic outturn as society has to operate in a different way.

"However, we are working through a number of return to work scenarios that can be initiated at the appropriate time, in line with government guidance.”

The economic data coming out was “brutal”, Mr Lavery said. In April, UK new car sales plunged 97% – the lowest level since 1946, according to latest monthly figures from the Society of Motor Manufacturers and Traders.

The society is predicting a 27% drop in new car sales for full year 2020. But Mr Lavery said this was optimistic. “A more realistic figure would be around 35 to 37% - so there are difficult times ahead,” he added. That said, there is still movement in the luxury market, including online.

“Since we opened our doors at Leven, the amount of leads generated and interest in Scotland is really strong,” Mr Lavery said. “And that actually supported our decision to get into that critical market.”

Significant “headwinds” already facing the industry include changing technology to meet more stringent emissions targets and increasing costs.

“The emergence from the Covid-19 lockdown will be another challenge that we will need to contend with but we reiterate that the group is well placed to respond to these challenges,” Mr Lavery said.

At the half year end, Cambria had £20.1m cash in the bank versus net debt of £6m, and net assets on its balance sheet of £68.5m.

Shares in Cambria, which is quoted on Aim, fell 2.65% to 44p in morning trading.