

The logo for LE CAPITAL DEALER FINANCE is positioned at the top left. It features a stylized 'LE' symbol followed by the word 'CAPITAL' in a large, bold, sans-serif font, and 'DEALER FINANCE' in a smaller, all-caps sans-serif font below it. The background of the entire page is a dark blue, semi-transparent image of a car's interior, showing a steering wheel on the left and a speedometer on the right. The speedometer has a needle pointing to approximately 100 km/h and a digital display showing '903.2' and '2427.18'.

LE CAPITAL

DEALER FINANCE

A Quick Guide
to Automotive
Stock Finance

Who are LE Capital?

LE Capital is a specialist finance company offering flexible, hassle-free stock funding to independent and franchise car dealerships across the UK. It has funded over £300m vehicles and brings a wealth of finance expertise to help dealerships grow. The intention of this guide is to support dealerships to make better decisions when it comes to raising finance and enhance understanding of the options available.

OVERVIEW:

What is stock funding?

- Stock funding, also known as dealer finance or unit stocking, is a loan given to dealerships relating to its vehicle stock.
- As opposed to other finance, it is specifically designed for dealerships buying and selling vehicles.
- Funding can be in respect of vehicles, cars, vans, lorries, HGVs, trucks, agricultural vehicles, and other motorised vehicles.
- The amount of funding per vehicle is normally based on the trade value of each vehicle funded and often covers the initial costs of purchase (including auction and delivery fees).
- The primary purpose of stock funding is to release cash tied up in stock and increase the number of vehicles on a dealership's forecourt to increase revenues and profits.

5 reasons to use stock finance

Stock funding can help your business in lots of different ways but we have highlighted our five most important reasons:



Grow your business: it allows you to increase the stock on your forecourt, driving higher revenues and increased profits.



Free up capital: it allows you to release profit in current stock to invest elsewhere in your business.



Source stock: the best stock funding providers will help you to source stock by connecting you with key wholesale vendors.



Automotive expertise: you should get account managers that truly understand the automotive market and can support your business to grow, whether that be in deciding the right finance packages, finding insurance or getting CCTV in your dealership.



Ease business admin: most providers will directly manage third party payments to auction houses and other approved vendors which can significantly reduce your admin burden.

Where can you get a stock finance facility from and how do you choose?

You can obtain a facility from a bank, independent finance company, auction house finance facility or a wholesale finance provider. However, it is important to do some research to see if the facility is right for your business.

You must review providers and ensure that they offer terms which will fit your business based on your stock profile, turnover days and existing sales model. Furthermore, you need to get to grips with how the product is priced to ensure the offer is competitive. Dealers often look at the headline interest rate to determine what will make a good deal but forget to calculate the overall monthly charges relating to fees. **The overall cost of finance can often be greater for the fees when you add them together than the interest.**

Pricing is only one consideration when choosing your facility. Stock finance can be enormously helpful for your business but you need to understand the following:



How easy is the product to use?



How good is the provider's customer services team and how quickly will they respond to queries?



How intrusive will their stock auditing be?



You should always go with a provider recommended by other dealers!

How will your facility work?

- A stocking facility is a bit like an overdraft. Your provider will give you an approved credit limit which may be £50,000, £100,000, or even a £1,000,000 + facility limit and you can utilise what you need up to the limit to buy vehicles.
- Some facility providers have no restriction on where the vehicles are purchased from or what type of vehicles are purchased, whereas some providers will require you to only purchase from certain auctions or approved vendors.
- After you obtain your facility you may then purchase vehicles with it or release cash from current stock. When you sell a vehicle, your provider will require that you pay off the portion of the loan that was used to purchase that vehicle (terms for payment will differ dependent upon the provider).
- As an example, let's say you purchase a vehicle at an auction for £10,000, then sell the vehicle the following week for £7,500. The provider would require you to pay £2,500, plus any applicable fees.
- Providers will vary with the terms given for settling a vehicle and utilising the funds again. For example, when the vehicle which was sold in the previous example has been sold and settled, some providers will require a waiting period of 48 hours before you can spend that £7,500 again and some providers have the funds available immediately to spend again once payment has been made.
- If you don't sell a vehicle within the permitted time offered by the finance house, which is normally 120-160 days, you are required to repay the whole amount or a proportion of the capital outstanding. It is vital you understand how capital repayments will work.

5 ways to optimise profitability using your facility

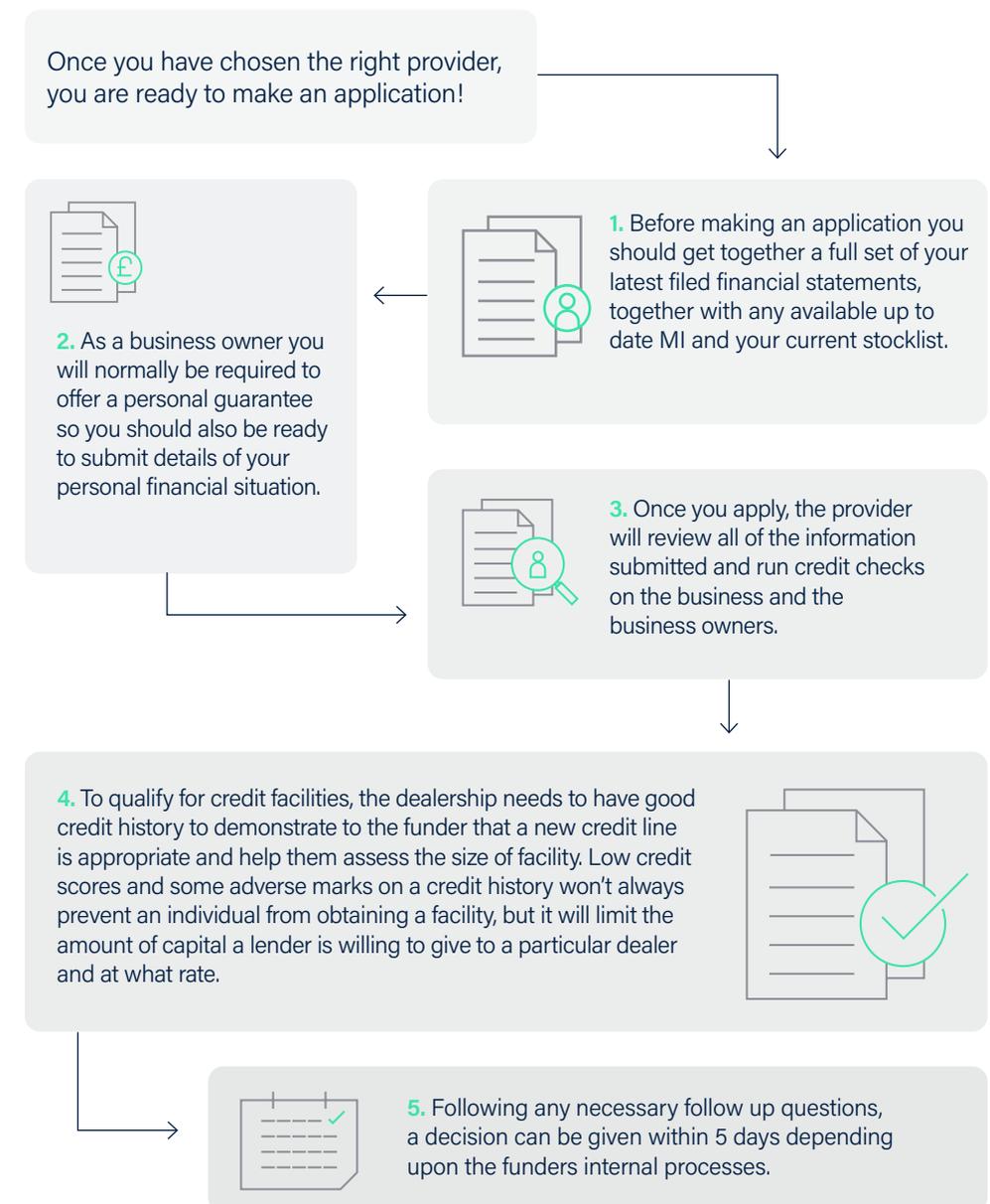
1. Buy vehicles with your facility that you are comfortable selling.
2. Allocate a budget for the preparation of the vehicle to ensure that you have priced the car to buy and sell with a profit for the business.
3. Work out the cheapest option for financing the vehicle because each provider works slightly differently.
4. A plan that requires capital repayments with additional fees during the buying/selling cycle needs to be managed closely to be profitable.
5. Stay up to date with wider market information and pricing on sites like Autotrader and CAP HPI and pre-empt seasonal trends.

Can I buy stock from auctions using stock finance?

Auction purchases are the most common source of purchase in this market. Most mainstream funders will allow auction purchases on their facilities. Some facility providers may limit spending to certain auction houses. Independent funders, unconnected to auction houses, are very flexible and build good working relationships with all auction houses to support dealerships in buying from anywhere.

Some providers will fund the invoice value when purchasing from auction including VAT, delivery fees and auction fees. However, always check the terms within your contract because certain funders will have restrictions to CAP value regardless of purchase price at auction, which may well negatively affect your cashflow.

What is the process to get funding and how long does it take?



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