

Automotive Access to Finance – Insight and Advice

23 July 2015

Yung Tran, Head of Member Services and Business Improvement, **SMMT**

Michael Mychajluk, Supply Chain & External Engagement Manager –
Government Programmes, **Jaguar Land Rover**

Kevin Rimmer, Head of Manufacturing Sector, **Yorkshire Bank**

- During presentations (10:30 – 11:00) everyone will be muted so that only the presenters will be heard.
- The presentation will be followed by a Q&A session. Click on the hand symbol to show that you have a question.
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#SMMTWebinars

Michael Mychajluk, Supply Chain & External Engagement
Manager – Government Programmes, **Jaguar Land Rover**



JAGUAR LAND ROVER

– ACCESSING FINANCE FOR GLOBAL GROWTH

Mike Mychajluk

Supply Chain and External Engagement / Automotive Council Supply Chain Group

23 July 2015

ACCESS TO FINANCE

Achievements to Date



- Rolling out Automotive Industry Immersion Course for banking sector
- British banks changed Automotive Sector credit assessment to Positive

•Banking Communication

Improve understanding within Banking Sector of Automotive Growth Potential & Risk

•Government aligned objectives

Enable Supply Chain Funds for the UK Automotive Sector, AMSCI & RGF

- Established ACUK and BBA combined Forum
- £12Mils of RGF4 loan funds secured for tooling with further £12Mils leveraged from non bank source
- £13Mils of LTASC grant funds for P&M, R&D & Skills

- High level of communication on non-bank funds i.e. Business Growth Fund
- Improved metrics on supplier access to finance - 30% yr on yr increase in new lending

•Alternative Funds

Develop alternative investment funds – non-bank, equity, bonds, BGF

Develop alternative supply chain financing products – tooling funding

•New Finance Products

- 5 banks presented proposals to OEMs on tooling finance
- 2 banks have launched bespoke tooling finance products
- Positive supplier feedback
- Benchmarked SCF with Aerospace industry

GLOBAL GROWTH INVESTMENTS

-Strategy for Growth



Growing global markets

- Rapid export growth to BRICs and global manufacturing footprint

Jaguar product growth

- Products into new segments, including F-TYPE, XE and F-PACE

Land Rover product growth

- New products & segments – New Range Rover including Hybrid & LWB, Evoque

Technologies to support green growth

- Partnership with WMG, aluminium architecture, Ingenium engines, Hybrid Electric Vehicle

Skills and Training

- Inspiring Tomorrow's Engineers, WMG partnership and workforce, apprentice and graduate training programmes



INVESTING IN GLOBAL GROWTH

- XE Sourcing



- Highest UK sourced content in comparison to the other 5 major UK OEMs
- 55% (JLR Average 50%) UK Sourced delivering over £4 Billion of supply contracts to UK component suppliers
- Supported by all British engines including the new Ingenium engine from JLR's Engine Manufacturing Centre in Wolverhampton
- 55 UK tier 1 suppliers
- Over 100 UK 2nd Tier SMEs
- High levels of new employment
- Many international suppliers providing Foreign Direct Investment into UK capacity expansion: Autoneum; Borgers; Brose; GKN; Kautex Unipart; Magna; Plastic Omnium; Rosti McKechnie; Tenneco Walker.
- Strong organic supply chain growth: Automotive Insulations; DMS; GSM; Sertec; Stadco; VTL (BGF).

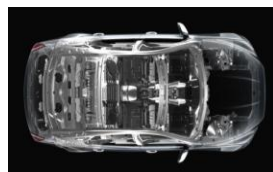


SUPPLIERS INVESTING IN JLR'S GLOBAL GROWTH

UK Component Supplier Sites, £2bn in the last 5 years



➤ **Jaguar Aluminium Architecture £0.5Bn**



Stadco
Telford
£45 million
50 jobs



Rosti McKechnie
Yorkshire
£20 million
200 jobs

➤ **Land Rover Aluminium Architecture £0.7Bn**



Brose
Coventry
£25 million
150 jobs



GKN
Birmingham
£20 million
100 jobs

➤ **Sports Aluminium Architecture £0.2Bn**



Sertec
Coleshill
£30 million
200 jobs



Lear Corp.
Redditch
£15 million
100 jobs

➤ **Range Rover Evoque & Discovery Sport £0.4Bn**



Automotive Insulations
Rugby
£10 million
130 new jobs



IAC
North
£60 million
500 jobs

➤ **Ingenium Engines, Powertrain Technologies & Advanced R&D £0.2Bn**



Borg Warner
Bradford
£15m investment
80 jobs



Magal
Reading
£5m investment
30 jobs

Jaguar Land Rover was named most trustworthy OEM in a recent study conducted by global information and analytics provider, IHS Automotive.

COLLABORATION FOR GLOBAL GROWTH



– Where Automotive Council Can Further Help UK Auto

Inward Investment

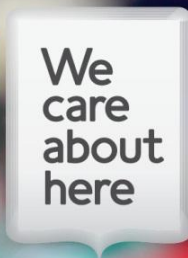
- **Improve Inward Investment Regime** – make incentives quicker, more flexible, targeted to the priority areas of the Industry Strategies
- **Increase Incentives for Domestic Supply Chain Expansion** – SMEs are important but incentives are required for the whole value chain, simplify State Aid Rules to allow expansion of larger companies.
- **Skills challenges** – continental suppliers think UK has skills crisis. Need to compensate & address this. Continue BIS's Employer Ownership Supply Chain Skills Fund.
- **Research & Development** – increasing automotive R&D critical to long-term. Greater R&D support via RGF & AMSCI as well as InnovateUK. APC is a great win win for UK plc, next focus area Automotive Software & Connectivity.

Engaging All Stakeholders

- **Private Banks** – continue positive engagement with banks and include their customers my suppliers.
- **Assess the Growth of Alternative Finance** – is this useful to the automotive industry?



Kevin Rimmer, Head of Manufacturing Sector, Yorkshire Bank



Presentation by
Clydesdale & Yorkshire
Bank
Automotive Team
to
SMMT
Access to Finance
Webinar
23 July 2015

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- Specialist Approach
- Funding Options
- Industry Analysis - SWOT
- How to Approach Funders
- Rolling Tooling Finance
- Case Study - CabAutomotive Limited
- Conclusion



Specialist Approach

We have adopted an dedicated industry approach to specific key sectors.

- CYB Approach to Industries
- Why Automotive?
- Benefits of Industry Approach
- Specific Solutions for Tooling Finance: Invoice Finance, Asset Finance, International Trade and Treasury.
- Our Approach to the Sector



Funding Options

Collaboration between various funding providers

- Traditional Banking
- Asset Finance (R&D Tax Credits)
- Loans - AMSCI
- Invoice Discounting
- Tooling Finance
- Equity
- Supply Chain Finance
- Grants - RGF (Capital, Training, Skills)
- Public Loans
- Specialist Funds - BGF
- Schemes

Industry Analysis SWOT

We work closely with our customers, building relationships that help us better understand their business needs and growth ambitions.

Strengths

- Strong reputation built over many years
- High visibility of sales, strong order book
- Strong customer base
- Experienced & proven management team
- Difficult for customer to switch suppliers
- Track record of innovation
- Long-term customer relationships (sole supplier)
- State-of-the-art technology
- Strong performance through recession
- High quality products at competitive prices

Opportunities

- New contract wins through existing and new customer relationships
- Ongoing innovation
- Ongoing efficiencies
- Global organic and acquisitive growth
- Diversification into alternative products & industries

Weaknesses

- Relatively high reliance on key customers & platforms (typical for sector)
- Timing of upfront investment required to support new contracts.
- Requirement for continuous improvement
- Dependence on success of OEM products

Threats

- Pace of technological change and investment required.
- Contract losses
- Competition and pricing pressure
- Foreign exchange fluctuation
- Availability of skilled workforce
- Regulatory & environmental changes
- Reputational damage in the event of quality issues and associated costs to rectify.
- Cyclical nature

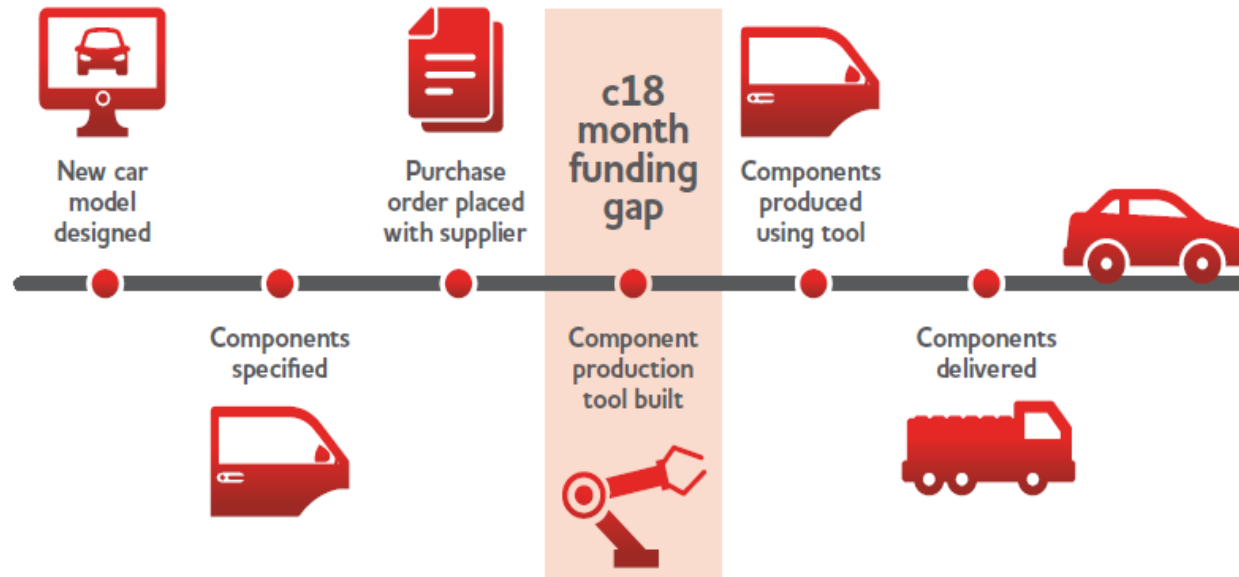
How to approach funders

What Funders Need To Understand About Your Company

- Forecasts - Layered Core Business/ Growth/ Blue Sky
- Relationships held with OEM/Tier1 customer
- Strong Management Team - who they are, past record, meet team
- Diverse customer/sector portfolio
- Diverse range of Product/Platforms
- Long Term relationships
- Importance of product to OEM
- Tangible Assets
- Quality including accreditations, KPIs, data

Rolling Tooling Finance

Our rolling tooling finance helps bridge the gap between the initial investment in a new product and the returns you eventually make.



Rolling Tooling Finance

Finance is an essential ingredient for driving business growth.

We can provide finance for your business if you're:

- ✓ An established business supplying OEMs, or Tier One or Two manufacturers
- ✓ A business with a letter of nomination or a schedule of build in hand
- ✓ Able to demonstrate a trend for growth, with a revenue of at least **£2million** per year
- ✓ Already banking with us or ready to make the switch

5 reasons to choose our Tooling Finance:

- ✓ Borrow up to **£1million** per tool
- ✓ Receive as much as **100%** of your Tooling Finance requirement, subject to pre-agreed criteria
- ✓ Manage replacement with rolling tooling finance
- ✓ Match repayments to your cash flow receipts
- ✓ Full banking relationship with the dedicated support of our specialist automotive team

Case Study: CabAutomotive

Our specialist automotive team take time getting to know customers and their business. That way, we can offer the right support when it's needed.



Conclusion

Automotive is a key sector to CYB.

- Automotive is a key sector for us
- Industry trends period of sustained growth and opportunity
- Recognising this we have formed a dedicated automotive team supported by key product range reflective of the industry needs
- We are keen to talk to any supply chain businesses looking to grow with funding support required
- Any questions?



A team
dedicated to
you

For more information visit:
cbonline.co.uk/automotive or
ybonline.co.uk/automotive

Our specialist automotive team put their wealth of banking experience and their passion for the automotive sector at your disposal.



Kevin Rimmer
Head of Manufacturing
Qualifications: ACIB



07770 284550



kevin.rimmer@eu.nabgroup.com

Kevin joined Clydesdale/Yorkshire Bank from ABN AMRO in 2004. He has worked in the banking industry for 30+ years. Kevin has national responsibility for the Bank's manufacturing lending portfolio. This includes the automotive sub sector where the Bank has specific expertise supporting customers with all their borrowing requirements. Kevin has responsibility for the Bank's risk setting and marketing strategy for the sector.



Heather Griffin
Director, Automotive



07802 918644



heather.griffin@eu.nabgroup.com

Heather joined Yorkshire Bank in 1997. Over the last 8 years, Heather has built a wealth of experience within the supply chain for the Automotive Sector. This includes involvement in approaching, pitching, transacting and managing Automotive customers. Holds strong relationships with key industry stakeholders.

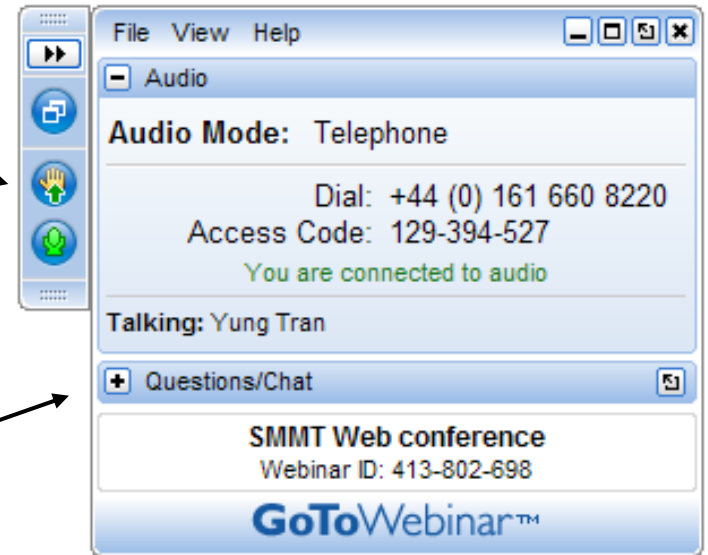


Questions and Answers

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Please ensure that you are connected to the audio to ask a question.

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Email: **memberservices@smt.co.uk** with your questions after this session.

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