DEALERSHIP

WEEKLY INFORMATION NETWORK

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# June 4, 2020 Notes

## Will Fernandez - CPA of Cirtin Cooperman - with a PPP Update

- Last night, the Senate passed the House Bill with the PPP Flexibility Act. They extended the loan from 2 years to 5 years. The deferral period, before you make your first payment, is now one year out verses six months.
- They're closing out the program with regards to new loans by June 30th. So, if you have an entity or company that hasn't applied and is eligible, you can still take advantage of the program for the next 20-something days.
- The forgiveness period was extended from 8 weeks to 24 weeks. You can still elect to keep an 8-week period if you wanted to.
- As long as you're restored and rehired back to where you were pre-Covid, (which is measured by the week of February 15th) no later than Dec. 31st then all of the penalties, with regard to FTE and Salaries and wages, goes away. So, they've extended that period out as well.
- They also changed the 75/25 split between payroll and non-payroll costs to 60/40.
- There's a set of previsions that also give you relief if you can't bring people back on, or if your business has been really impacted due to government closures. You can actually go through a process where you can count those FTEs back into your numbers and minimize your penalties.
- Under the CARES Act, you're allowed to defer the employer portion of your federal payroll taxes for two years. Regardless of whether you have a PPP loan or not, you can maximize your deferral on your payroll tax.

## Tully Williams - Fixed Operations Director at The Niello Company

- As we are in this pandemic, how do we get our fixed ops up and running profitably? It's really all about the forecast for the capacity you have to sell. So, my goal is what does your shop have available? And then how do we predict to get yourself back in the green?

- As we started in March and April, as we shrunk down, we wanted to make sure we kept our technicians working. But we knew our capacity to sell each of the days we worked. Today when we look at all of our days through Covid, we sold over 100% of our capacity.
- All of my service managers, parts managers, and my general manager worked together to build a forecast, on the way to profitability:
    - Know the capacity of your shop: Do you want to use 8, 9 or 10 hours per tech?
    - Know the gross per parts and labor hour: Look at your financial statement. Add up everything in the service department, with everything that's a repair order on the parts statement side – including gas oil and grease. Divide by the number of hours sold that month and now what you have is parts and labor gross per hour.
    - Profitability Forecast: Then you'll multiply the capacity of your store by the parts and labor gross per hour. We'll build in your average expense and now we know how many hours it takes to get to profitability.
- Think of your technicians. How much they make you an hour. How do we help get those technicians efficient? When we want to train behavior, what do we do? We put it in the pay plan.
    - Parts managers, service managers, service advisors, technician leads, and counter people are all paid off the hours forecast. So, my entire fixed ops team is generating hours to sell and focusing on selling every hour we have ability.

## Jonathan Allen - President of J. Allen Automotive

- Last year was our best year ever in total volume, total gross, net profit, everything.
- I closed down for three weeks in the midst of Covid. The government didn't require it here, but it was simply for the wellbeing of my employees. When they came back, stepped up and hit the ground running to get back to where we were last year.
- Pre-Covid, we were averaging about $300 front end gross on the new Toyotas and we were selling about 140-150 per month all last year. We sold 78 last month and did $1,200 front end gross on new Toyotas.
- We were able to hold gross because of a hard line drawn with management saying, "we're not in the business of losing money right now." We're not in the business of fluffing volume. We were telling customers "no." It's a seller's market for us with this mentality.
- Down payment has always been a big focus of ours as well – getting as much down payment as possible. Money down could be considered profit. With everybody getting some money from the government, they're coming in with some cash.
- I have put more emphasis on our BDC which has been calling our owner base, doing everything we can to set appointments, trying to get as much information as possible before the deal. We're not really a market that is going to go do home deliveries and stuff like that.

- The intention and effort I would've put in to hiring new salespeople, we've put into our BDC and getting as much of that transaction done before the sale was possible.