

Steering your dealership to higher profits

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Consultants to the Automotive Industry

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Monthly Financial Results – March 2023

	March Better Than February	March Worse Than February	Net Profit % Sales March	New Units	Used Units
CHRYSLER	70%	30%	2.2%	35	45
FORD	65%	35%	3.6%	29	41
G.M.	70%	30%	2.6%	38	55
IMPORTS	100%	0%	5.0%	64	60
OVERALL	80%	20%	3.8%	46	56
	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%	
CHRYSLER	55%	5%	20%	20%	
FORD	40%	20%	10%	30%	
G.M.	55%	20%	15%	10%	
IMPORTS	30%	5%	10%	55%	
OVERALL	40%	10%	15%	35%	

Monthly Financial Results – February 2023

	February Better Than January	February Worse Than January	Net Profit % Sales February	New Units	Used Units
CHRYSLER	65%	35%	2.6%	23	40
FORD	45%	55%	2.4%	32	52
G.M.	50%	50%	2.3%	25	45
IMPORTS	55%	45%	3.7%	45	41
OVERALL	55%	45%	2.8%	31	41

Monthly Financial Results – December 2022

	December Better Than November	December Worse Than November	December Best Month	Net Profit % Sales December	New Units	Used Units
CHRYSLER	10%	90%	5%	N/A	25	32
FORD	40%	60%	20%	2.6%	27	61
G.M.	50%	50%	20%	3.0%	37	42
IMPORTS	45%	55%	5%	3.8%	53	50
OVERALL	40%	60%	10%	2.3%	37	47

**“All great achievements
require time.”**

– Maya Angelou

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As we wrote in last month's issue, March 2023, the year 2022 was the second best year for new vehicle dealer's pre-tax net profit as a percentage of sales of 4.9%, compared to the best year ever of 5.4% in 2021. We are seeing the last month of 2022 and the first three months of 2023 net profit as a percentage of sales is trending downward as we expected.

From our sample of many new vehicle dealers, January 2023's net profit as a percentage of sales was only 2.6% while in February 2023 it was 2.8% and in March 2023 it was 3.4%. However for March 2023, we expected and found March 2023 to typically be better than January and February of 2023. We found the average of Chrysler-Ford-G.M. (domestics) was only 2.8% while imports were 4.7%. These March metrics indicate "domestics" are approaching back to pre-covid metrics, which is less than 3.0%, while imports remain much above pre-covid metrics at 4.7% for both March 2023 and year-to-date.

As we wrote last month, the trends we see and read about include new vehicle inventories increasing along with used vehicle inventories, advertising is also increasing along with new and used vehicle floor plan interest expense, and front-end new and used gross profit margins are declining as would be expected. These changes are causing net profit as a percentage of sales to decline as expected.

As reported by Automotive News and Cox Automotive, new vehicle inventories rose slightly last month to their highest point in nearly two years. This helps to explain reduced net profits for when new vehicle inventories go up, grosses tend to go down along with certain expenses including floor plan interest expense going up. Overall domestics seem to have the higher day's supply and the main imports had a lower day's supply.

National Economic Metrics

We receive an Interest Rate Risk Management Weekly update courtesy of KeyBank. Some of the informative metrics include:

SOFR (comparable to LIBOR)	4.80%	trending downward
Federal Funds rate	5.00%	level
Prime rate	8.00%	level

Franchise Buyouts (Reductions)

Some factories, at times, want to reduce the number of dealers that sell a certain franchise. In the 2008–2009 recession period, G.M. and Chrysler initially terminated some of its Cadillac and Chrysler dealers. After time elapsed and many lawsuits G.M. reinstated some of its Cadillac dealers while Chrysler ended up restoring some of its proposed terminated dealers. Currently for various reasons G.M. is trying to get some of its Buick dealers to surrender their franchise for a payment from G.M. We have been called by many Buick dealers about G.M.'s proposal to have the dealer give up their Buick franchise for a six or seven-digit payment. We suggest to these dealers they measure the economic benefits of the after-tax cash received and the interest that can be earned on this after-tax cash versus the lost profits from giving up the Buick franchise including new Buick gross, used vehicle gross, and Buick parts and service gross. We have seen offers of cash exceeding \$1,000,000 for dealers that sold in the range of 20 new Buicks per year. For some dealers it makes sense to take the cash, but it requires some analysis and long-range planning.

National New Vehicle Sales

As was reported by Automotive News, the following is for March 2023 year-to-date trends for the top ten volumes. In 2022 3,317,00 new units were sold while in the first three months of 2023 3,594,000 were sold.

Ford	improved over 2022
Toyota	declined over 2022
Chevrolet	improved over 2022
Honda	improved over 2022
Nissan	improved over 2022
Hyundai	improved over 2022
Kia	improved over 2022
Tesla	improved over 2022
Jeep	declined over 2022
Subaru	improved over 2022

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