

Steering your dealership to higher profits

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November 2022 profit results, over 250 new vehicle dealer results, net percentage of sales was 3.6%, October was 3.3%, September was 3.9%, August was 4.7%, July 2022 profit results net 4.3% of sales remain very good. June was 4.6%, May 2022 was 5.0%. It appears there continues to be a very slow downward monthly profit, except November was 10% better than October, and profit margin trend based on our over 250 new vehicle dealers we serve. Dealers tell us as of the date this was written in late December that sales seem to be down in December. Only time will tell about the trend. As a reminder, historical net percentage of sales was in the range approximately 2.4% from 2010-2019 while 2020 approximated 3.6% and 2021 approximated 5.0%. The enclosed survey based on a limited number of dealer financial statements for November 2022 reflected the pre-tax net profit percentage of sales for November was 5.1% (average) while median was 5.0%.

Monthly Financial Results – October 2022

	October Better Than September	October Worse Than September	October Best Month	Net Profit % Sales October	New Units	Used Units
CHRYSLER	30%	70%	0%	2.7%	48	42
FORD	45%	55%	0%	3.1%	21	37
G.M.	35%	65%	0%	2.6%	37	48
IMPORTS	45%	55%	5%	4.7%	56	51
OVERALL	40%	60%	0%	3.6%	43	46

Monthly Financial Results – November 2022

	November Better Than October	November Worse Than October	November Best Month	Net Profit % Sales November	New Units	Used Units
CHRYSLER	40%	60%	10%	2.6%	25	37
FORD	40%	60%	10%	4.3%	22	38
G.M.	55%	45%	5%	2.9%	34	48
IMPORTS	35%	65%	0%	4.9%	50	56
OVERALL	40%	60%	5%	3.9%	36	48

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
CHRYSLER	62%	10%	3%	25%
FORD	49%	4%	11%	36%
G.M.	32%	17%	12%	39%
IMPORTS	24%	8%	22%	46%
OVERALL	38%	9%	14%	38%

**“Experience is the thing
of supreme value.”**

– Henry Ford

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The enclosed survey reflects an overall range for the month of November net profit percentage of sales for: Chrysler 2.6%, Ford 4.3%, GM 2.9%, Imports 4.9%, and Overall 3.6%. This survey also reflects an overall range for the Y-T-D net profit percent of sales for: Chrysler 4.8%, Ford 4.5%, GM 3.9%, Imports 6.2%, and Overall 4.8%. With the month overall results down from the Y-T-D results, this indicates the profit trend is downward for the year. It also appears front-end gross profit margins are trending downward, New of \$3,596 and Used retail \$2,393 which is probably the main indicator the net profit percentage of sales metric is trending downward.

June 2022 Year-To-Date Metrics

We share dealer results with two other large automotive CPA firms. Below we have compared the six-month Y-T-D, June, results of these two firms, and our firm.

	Firm # 1	Firm # 2	Firm # 3
June Y-T-D Dollar Sales	\$28 mil	\$20 mil	\$26 mil
Net Profit Percent of Sales	5.4%	5.3%	5.3%
Number of Dealer Statements	250	142	113

As you can see the Net Profit Percent of Sales for the above three groups is remarkably close. Almost all of the dealers are east of the middle of the United States. Very few are from the West Coast.

Nationwide New Vehicle Sales Through September 2022

As reported by Automotive News through September 2022 Y-T-D new unit sales for 2022 was 8,073,000 versus for 2021 was 9,041,000, a 11% reduction. Most franchises were down for the nine months ended September 2022. The franchises that were down the most: Jeep 10.5%, Subaru 13.3%, Toyota 15.2%, Mitsubishi 15.7%, Ram 16.2%, Lexus 16.8%, Dodge 17.6%, Audi 18.4%, VW 20.1%, Mazda 21.2%, Volvo 24.3%, Infiniti 30.6%, Land Rover 35.7%, Honda 37.9%, Nissan 31.3%, Acura 41.2%, and Buick 49.3%. We picked all the factories that had a 10% or greater sales reduction in 2022 compared. You will see some surprises here that had reductions or such large reductions.

Net Profit Percentage Of Sales

As you can see in the enclosed November survey, average and median dealers made 5.1% to 5.0%, we took a random sample of our over 250 new vehicle dealers from many states. You can also see the Y-T-D net profit percentage of sales ranges from a high of over 10.6% (super performance) to a low less than 1.0%. For those dealers that are in the bottom half of pre-tax net profit margin, you should analyze why. When the car business gets back to “normal” in the next year or two, unless changes are made, these dealers are more likely to have minimal profits or losses.

National Public Auto Dealers

There are six national public auto dealers on the national stock market: Asbury; AutoNation; Group 1; Lithia; Penske; Sonic. The below metrics are the nine months sales through September 2022.

	Asbury	AutoNation	Group 1	Lithia	Penske	Sonic
Pre-tax Income % Sales	7.3%	7.2%	6.4%	6.6%	7.0%	3.6%
Nine Month Total Sales (billions)	\$11.8	\$20.2	\$12.1	\$21.2	\$20.8	\$10.4
Actual Working Capital(millions)	\$654	\$140	\$48	\$1,856	(\$103)	\$39
Working Capital Guide (3.5% annual sales) (millions)	\$550	\$942	\$564	\$989	\$970	\$485
Shortage Working Capital (3.5% annual sales)	n/a	\$802	\$516	n/a	\$1,037	\$446

Do the factories allow these companies overall to be materially below their “working capital guidelines?”

As you can see above, five out of six of these public companies are making over 6% pre-tax on sales while the non-public group of dealers overall are 4.9%. Usually the non-public group of dealers have a lower pre-tax net profit percentage of sales compared to the public auto dealerships. Also, Sonic always seems to be much lower, 3.8% pre-tax net profit percentage sales, than the other five public auto dealerships.

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