

# POWER

## S T E E R I N G

*Steering your dealership  
to higher profits*

A publication of Woodward & Associates  
Consultants to the Automotive Industry

Written by Carl Woodward & Scott Woodward

November 2023

October 2023 pre-tax monthly profit results compared to September 2023 reflected that 57% of dealers' pre-tax profits were down. September's monthly pre-tax profit results compared to August, reflected that 60% of dealers' pre-tax profits were also down. We are seeing the last month of 2022 and the first ten months of 2023 net profit as a percentage of sales continuing to trend downward. From our sample of the almost 300 new vehicle dealers we serve, January 2023 net profit as a percentage of sales was only 2.6%, February was 2.8%, March 3.4%, April 3.3%, May 3.8%, June 3.1%, July 2.7%, August 3.6%, September 3.0%, and October 2.8%. The enclosed survey for October 2023 reflects 3.8% year-to-date. Pre-tax net profit as a percentage of sales is slowly declining to pre-COVID metrics, due to a lower new front-end gross profit margin average of \$2,900 and lower used front-end gross profit margin average of \$2,300. Increasing floor plan interest expense and advertising contributing as well. This is not a positive trend but was expected by many in this industry.

### MONTHLY FINANCIAL RESULTS – OCTOBER 2023\*

	OCTOBER BETTER THAN SEPTEMBER	OCTOBER WORSE THAN SEPTEMBER	NET PROFIT % SALES - OCTOBER	NEW UNITS	USED UNITS
CHRYSLER	50%	50%	2.1%	22	33
FORD	35%	65%	2.2%	23	44
G.M.	45%	55%	1.9%	25	39
IMPORTS	45%	55%	4.0%	63	48
OVERALL	45%	55%	2.8%	39	42

### MONTHLY FINANCIAL RESULTS – SEPTEMBER 2023\*

	SEPTEMBER BETTER THAN AUGUST	SEPTEMBER WORSE THAN AUGUST	NET PROFIT % SALES - SEPTEMBER	NEW UNITS	USED UNITS
CHRYSLER	25%	75%	2.0%	28	40
FORD	30%	70%	1.9%	23	41
G.M.	30%	70%	1.9%	31	37
IMPORTS	55%	45%	4.8%	67	49
OVERALL	40%	60%	3.0%	43	43

**“Always focus on the  
front windshield and not  
the rearview mirror.” –  
Colin Powell**

#### Inside This Issue

National Economic Metrics	2
Performance Survey	3
Buy-Sells	4

## MONTHLY FINANCIAL RESULTS – AUGUST 2023\*

	AUGUST BETTER THAN JULY	AUGUST WORSE THAN JULY	NET PROFIT % SALES - AUGUST	NEW UNITS	USED UNITS
CHRYSLER	65%	35%	3.0%	31	42
FORD	60%	40%	2.6%	27	45
G.M.	75%	25%	2.7%	32	45
IMPORTS	50%	50%	4.8%	62	51
OVERALL	60%	40%	2.9%	42	46

## MONTHLY FINANCIAL RESULTS – OCTOBER 2023

	NET<3.0%	NET 3.0% - 3.99%	NET 4.0% - 4.99%	NET > 5.0%
CHRYSLER	65%	10%	10%	15%
FORD	55%	20%	20%	5%
G.M.	75%	10%	5%	10%
IMPORTS	30%	20%	5%	45%
OVERALL	50%	15%	10%	25%

### National Economic Metrics

We receive an INTEREST RATE RISK MANAGEMENT WEEKLY UPDATE courtesy of KeyBank. Some of the informative metrics include (November 27, 2023):

SOFR (comparable to LIBOR)	5.32%	no change
Fed Funds rate	5.50%	no change
Prime rate	8.50%	no change

The PRIME RATE continues to be very high compared to the last 10 years.

### Survey (Enclosed) Results

Many dealers for the month of September have a pre-tax net profit percentage of sales below the pre-COVID margins, on average, of 2.5%. Those dealers should analyze why, or feel free to email me at no charge for my comments on their out-of-pattern metrics (carlswoodward@cpaauto.com).

**To Subscribe:**

Send \$96.00 (Annual Subscription) to:

**Woodward & Associates**

P.O. Box 1584

Bloomington, IL 61702

carlswoodward@cpaauto.com

woodwardassoc@cpaauto.com

**For More Information:**

Call (309) 662-8797

or Fax (309) 662-9438

---

## Buy-Sells

We have assisted in several buy-sells in the last few months. Most of the time dealership real estate is involved, either the buyer leases the real estate or will purchase it.

Two “rules of thumb” apply for the real estate:

First, if the real estate is leased, it is usually because the buyer lacks the funds for a down payment on the real estate. The “fair” or “reasonable” rent would then be a triple net lease where the annual lease amount would typically be 8-9% of the real estate value.

Second, if the real estate is purchased, a common way to determine the purchase value is as follows: Each side hires an experienced automobile dealership appraiser to value the real estate. If the two appraisers are within 15% of one another, then the value of the real estate is the average of the two appraisals. If the two appraisers are more than 15% apart, then the two appraisers should elect a third appraiser. From the three appraisals, select the two that are closest and average them for an approximation of value.

Most dealership buy-sells also involve fixed assets. Fixed assets include equipment, furniture, company vehicles, but leasehold improvements are not considered. We have a worksheet formula to estimate the value of these items. For company vehicles, find a qualified used vehicle person to set the values. It could be difficult to find an appraiser for the remainder of the fixed assets, for example, a used hoist could be difficult to pinpoint an accurate value. We have a “mechanical” process based on the date of purchase and the purchase cost of each item that is usable, to value these fixed assets. Feel free to email us for our worksheet (scottwoodward@cpaauto.com).