

# 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

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The 2023 calendar year remained a very profitable year, but as expected it was down from 2021 and 2022 (the best two years in the car industry). The 2023 pre-tax net profit percentage of sales from our group of dealers was approximately 3.5%, which is similar to the 2020 pre-tax net profit percentage of sales of 3.6% as reported by NADA. 2022 reflected 4.8% from our data, and 4.4% from two automotive CPA firms that we work closely with.

Several individuals in the industry have asked about profit and loss trends. Below we have reflected some of those trends. The year 2019 was the last "normal" year before COVID.

### HISTORICAL FINANCIAL PERFORMANCE

	PERCENTAGE OF DEALERS THAT LOST MONEY FOR THE YEAR	AVERAGE PRE-TAX NET PROFIT PERCENTAGE OF SALES
2023	12%	3.5%
2022	3%	4.8%
2021	1%	5.4%
2020	8%	3.6%
2019	19%	2.3%

### MONTHLY FINANCIAL RESULTS – DECEMBER 2023\*

	DECEMBER BETTER THAN NOVEMBER	DECEMBER WORSE THAN NOVEMBER	NET PROFIT % SALES - DECEMBER	NEW UNITS	USED UNITS
CHRYSLER	15%	85%	LOSS	29	39
FORD	25%	75%	LOSS	27	31
G.M.	35%	65%	LOSS	29	37
IMPORTS	35%	65%	2.0%	59	42
OVERALL	30%	70%	LOSS	40	38

**"Before you say you can't do  
something, try it. "**

**-Sakichi Toyoda**

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\*FOR DEALERS THAT REPORTED MONTHLY FINANCIAL STATEMENTS TO WOODWARD & ASSOCIATES, INC.

## MONTHLY FINANCIAL RESULTS – NOVEMBER 2023\*

	NOVEMBER BETTER THAN OCTOBER	NOVEMBER WORSE THAN OCTOBER	NET PROFIT % SALES - NOVEMBER	NEW UNITS	USED UNITS
CHRYSLER	60%	40%	2.6%	30	43
FORD	40%	60%	1.9%	21	34
G.M.	50%	50%	1.9%	28	44
IMPORTS	40%	60%	4.0%	66	49
OVERALL	45%	55%	2.6%	35	42

## 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 – DECEMBER 2023\*

	NET<3.0%	NET 3.0% - 3.99%	NET 4.0% - 4.99%	NET > 5.0%
CHRYSLER	85%	0%	5%	10%
FORD	70%	10%	0%	20%
G.M.	70%	5%	5%	20%
IMPORTS	55%	5%	10%	30%
OVERALL	65%	5%	5%	25%

### National Economic Metrics

We receive an INTEREST RATE RISK MANAGEMENT WEEKLY UPDATE courtesy of KeyBank. Some of the informative metrics include (February 12, 2024):

SOFR (comparable to LIBOR)	5.31%	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.

### Annual Working Capital Updates

Many factories have sent out their annual working capital guidelines and computations. We find that dealers are inadvertently hurting their guideline requirements by not using their financial statement accurately. The factories compute the annual guideline using the monthly statements submitted to them. Many saw their guideline increase during the past few years due to the rising prices of vehicles. Often there are “fixes” to help reduce the guideline. A common way to decrease the guideline is to properly report CPO sales on the balance sheet and income statement. Please ensure your office staff are updating the yearly guideline on their most recent statement.

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## **Housekeeping Items from the first few months of 2024**

There are several items that we would just like to remind everyone about. First, 1099s and W2's were required to be submitted electronically in early 2024 (for 2023 tax forms). Please confirm with your office manager that this has been done. The penalties for not following this rule can be very large. Secondly, Form 8300 is now required to be submitted electronically as well. Check with your accounting office and finance office to confirm they are set up and submitting these in this new manner and all have been submitted for 2023. Third, there is a new requirement for many small businesses to provide certain information to the US Department of Treasury. This is known as the Corporate Transparency Act. Confirm with your attorney that you are meeting the requirements for your dealership and any other entities you might own.

### **Unclaimed Property**

Many states are back to trying to enforce their unclaimed property rules. Dealerships have many items that meet these requirements, including: uncashed checks, old we-owes, cancellations, old rebates, etc. It is our recommendation to follow these rules and start submitting these items to your respective state. For many states, once you file, you will then always have to file annually. You should check to see if there is any unclaimed property for your business or yourself while doing this.

### **2024 EV Reporting**

In 2023, the IRS changed the reporting requirements and shifted the burden to dealers across the US to submit the information to the IRS. This process has been relatively painful and has had all sorts of hurdles since inception. Once a customer qualifies for the credit, and agrees to transfer the credit to the dealership, our suggestion is to treat it as a down payment. The IRS generally transfers these funds within 72 hours. This credit is not a reduction of the purchase price, but this is a state-by-state rule. A concern we have is that when the customer does eventually file their income tax returns, and finds out that they did not qualify, they will owe this credit back to the IRS and will likely blame the dealer. Do not play tax practitioner but be sure to inform the customer of the risk if they end up not qualifying for the credit. A customer misrepresenting their tax situation will not be charged back to the dealer.

### **Reinsurance**

We are starting to see more and more dealers become less profitable in their reinsurance companies. On a quarterly basis you should be checking on your portfolio's loss ratio. The rising parts prices and labor costs of the last few years have made repairs more costly, and in turn have eaten into the profits / reserves of the reinsurance company. Check with your representative to see how your loss ratios of the last few years compare to your overall historical loss ratios since inception. Many are combating this issue by raising the service contract pricing, renegotiating admin fees, etc.