

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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March and February continue the downward trend of pre-tax profit percentage of sales. The 2023 annual pre-tax profit margin approximated 3.5%. The year-to-date performance through March 2024 reflects pre-tax profit margin of 1.80%. This number is down 46% compared to year-to-date March 2023, which was at 3.35%. The March 2024 (month only) pre-tax profit margin was 2.17% (compared to March 2023 month only of 3.8%). The February 2024 (month only) pre-tax profit margin was 1.73% (compared to 2.8% in 2023).

MONTHLY FINANCIAL RESULTS BY FACTORY*

	NET PROFIT % YTD THROUGH MARCH 2023	NET PROFIT % YTD THROUGH MARCH 2024	NET PROFIT % SALES MARCH 2024	NET PROFIT % SALES FEBRUARY 2024
CHRYSLER	2.35%	0.86%	1.55%	1.62%
FORD	3.08%	2.54%	2.59%	1.91%
G.M.	2.66%	1.25%	1.44%	1.75%
IMPORTS	5.03%	2.65%	3.33%	1.62%
OVERALL	3.35%	1.80%	2.17%	1.73%

**“If you are not taking care of
your customer, your competitor
will.”**

-Bob Hooley

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*FOR DEALERS THAT REPORTED MONTHLY FINANCIAL STATEMENTS TO WOODWARD & ASSOCIATES, INC. THIS SAMPLE ONLY INCLUDES STORES WITH MONTHLY SALES IN EXCESS OF \$2,000,000.

Finance Department Results

We define finance department results as new and used finance income, insurance income, service contract income less chargebacks per retail new and used vehicle. We have found the overall finance-insurance-service contract income (income) has gone up in the last 3-4 years compared to pre-covid results. Public auto groups and large private dealership groups have a much larger income per retail deal compared to most smaller dealer groups and individual dealers. The average dealer made \$1,130 per retail deal and the median dealer makes \$1,027, year-to-date. If you are well below \$1,000 then you need to put emphasis on your finance department.

National Economic Metrics

We receive an INTEREST RATE RISK MANAGEMENT WEEKLY UPDATE courtesy of KeyBank. Some of the informative metrics include (May 6, 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. No changes in the last few weeks.

Working Capital Guidelines

Dealers are required to meet factory guidelines for working capital as part of their factory agreement. At least annually, the dealer should inspect the guideline on their financial statement. If you are below the guideline, you need to analyze why. Occasionally there are improper classification of accounts that are adversely impacting the actual working capital. In the event that there is no obvious error, it would require the dealer to inject additional money into the company to get above the guideline. The factory can use deficiencies in working capital against you and could result in termination of the franchise. Please reach out to us if you are below your required guideline.

Survey (Enclosed) Results

The enclosed survey on page 3 represents a group of the approximately 300 new vehicle dealerships we serve on a regular basis. You can see the front-end used retail gross ranges for March from a low of \$470 to a high of \$3,509. Those dealers that are at the higher-end of used retail gross per unit also reflect the higher pre-tax net profit percentage of sales performance. From our experience, we believe the higher front-end retail gross per used is due to the skill level of those dealers' sales department employees. Since the ratio of new to used is similar, we do not believe these dealers are giving up any or just a few used retail sales even though they have higher front-end gross profit margins. If your front-end used retail gross margin is much less than \$2,000, you might put pressure on the pricing and selling of used vehicles at higher gross margins.

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Public Auto Companies 2023 Metrics

Below are some metrics from the public auto company 2023 annual reports. Pre-tax net profit percentage of sales ranged from a low of 2.2% to a high of 6.2% with an average of 4.6% and a median of 4.8% (non-public dealers averaged around 3.5%). The one metric that stands out to us, when comparing public company dealers and most of the other dealers, is that the public companies net finance-insurance-service income is substantially higher.

ANNUAL FINANCIAL RESULTS BY PUBLIC AUTO COMPANY

	ASBURY	AUTONATION	GROUP 1	LITHIA	PENSKE	SONIC
PRE-TAX NET PROFIT % SALES	6.2%	5.0%	4.7%	4.4%	4.9%	2.2%
SALES (BILLION)	\$14.8	\$26.9	\$17.9	\$31.0	\$29.5	\$14.4
TANGIBLE NET WORTH (MILLION)	\$(861)	\$(183)	\$321	\$1,906	\$1,773	\$221
INTANGIBLE STOCK VALUE (BILLION)	\$5.490	\$6.437	\$3.849	\$7.116	\$8.999	\$1.688

Electronic Newsletter

We now offer the option to receive our monthly newsletter electronically via email and online on our website (cpaauto.com). If you wish to have the monthly newsletter emailed to you each month, rather than mailed, you can scan the QR code below and you will be taken to our website to register for this option. Please note that if you elect to receive Power Steering digitally, the newsletter will no longer be mailed to your address.

