

POWER STEERING



MichaelSilver
CPAs | Advisors

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As we wrote in last month's issue, April 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 four months of 2023 net profit as a percentage of sales is trending downward slightly as we expected. From our sample of many new vehicle dealers, January 2023 net profit as a percentage of sales was only 2.6% while in February 2023 it was 2.8%, in March it was 3.4%, and in April 2023 it was 3.3%. Though the enclosed survey not all of our dealers reflected 4.0%, we typically expected and found March 2023 to typically be better than January and February. However, for April results we found the average of Chrysler-Ford-G.M. (domestics) was only 2.8% in March and April while imports were 5.3%. These April and March metrics indicate "domestics" are approaching back to pre-covid metrics, less than 3.0%, while imports remain much above pre-covid metrics at 5.0% for March 2023, April 2023, and 5.4% year-to-date.

As we wrote last month and for April 2023, the trends we see and read about include new vehicle inventories are increasing along with used vehicle inventories, advertising is also increasing along with new and used vehicle floor plan interest expense, and while as expected front-end new and used gross profit margins are declining. These changes unsurprisingly are causing net profit as a percentage of sales to decline.

MONTHLY FINANCIAL RESULTS – APRIL 2023

	April Better Than March	April Worse Than March	Net Profit % Sales April	New Units	Used Units
CHRYSLER	65%	35%	2.9%	38	41
FORD	45%	55%	3.1%	32	42
G.M.	45%	55%	2.3%	27	48
IMPORTS	25%	75%	5.3%	59	50
OVERALL	40%	60%	3.8%	43	45

	Net < 3.0%	Net 3.0 – 3.99%	Net 4.0 – 4.99%	Net + 5.0%
CHRYSLER	55%	10%	15%	20%
FORD	45%	30%	15%	10%
G.M.	60%	15%	10%	15%
IMPORTS	25%	10%	0%	65%
OVERALL	40%	15%	0%	45%

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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

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

National Economic Metrics

We receive an Interest Rate Risk Management Weekly update courtesy of KeyBank. Some of the informative metrics include (May 22, 2023):

SOFR (comparable to LIBOR)	5.05%	trending upward
Federal Funds rate	5.25%	trending upward
Prime rate	8.25%	trending upward

Franchise Buyouts (Reductions)

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 as high as \$1,700,000 for annual units less than 120 units. As we wrote previously, 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. For a few dealers, it makes sense to take the cash, but it does require some analysis and long range planning. GM initially tried to reduce the number of dealers in 2009 and then changed its mind for many dealer reductions. We believe by G.M. reducing the number of Cadillac and Buick dealers it will reduce the number of new Cadillacs and Buicks being sold. Only time will tell.

Monthly Sales and Profit Survey

April 2023

Make	New Units	Gross New	Used Units	Gross Used	YTD Net Profit %	MTD Net Profit %
CHRYSLER	183	\$2,974	110	\$2,545	1.6%	2.8%
CHRYSLER	67	\$3,166	91	\$2,856	5.8%	5.5%
CHRYSLER	59	\$3,402	61	\$2,690	4.0%	5.2%
CHRYSLER	34	\$2,789	66	\$2,605	7.0%	7.5%
CHRYSLER	17	\$5,879	23	\$2,683	6.6%	7.9%
CHRYSLER	26	\$2,659	24	\$2,843	4.5%	4.7%
CHRYSLER	32	\$3,641	27	\$2,820	3.2%	4.2%
CHRYSLER	30	\$3,396	58	\$3,513	1.3%	2.4%
CHRYSLER	35	\$1,930	51	\$2,066	0.4%	2.2%
CHRYSLER	30	\$3,291	39	\$2,711	3.4%	3.1%
CHRYSLER	24	\$2,189	29	\$2,262	3.1%	2.7%
CHRYSLER	63	\$1,233	72	\$2,219	0.6%	0.7%
AVERAGE CHRYSLER	50	\$3,046	54	\$2,651	3.5%	4.1%
FORD	61	\$1,764	82	\$2,965	4.9%	6.2%
FORD	76	\$2,929	79	\$2,576	4.4%	4.1%
FORD	113	\$3,769	89	\$2,854	3.6%	3.6%
FORD	15	\$3,386	29	\$2,656	5.6%	6.0%
FORD	47	\$2,934	70	\$2,962	1.7%	3.6%
FORD	23	\$3,549	54	\$2,669	5.0%	5.8%
FORD	31	\$3,675	33	\$3,355	4.3%	5.0%
FORD	18	\$4,172	22	\$3,629	3.0%	4.2%
FORD	36	\$1,824	51	\$3,221	2.7%	3.3%
FORD	43	\$2,466	146	\$1,264	2.0%	1.6%
FORD	33	\$3,610	37	\$2,199	2.4%	2.8%
FORD	19	\$3,253	50	\$1,776	5.9%	3.1%
FORD	48	\$2,393	48	\$2,281	2.8%	2.0%
FORD	30	\$3,346	20	\$2,724	4.2%	3.2%
FORD	24	\$2,795	34	\$3,084	5.3%	3.7%
AVERAGE FORD	41	\$3,058	56	\$2,681	3.9%	3.9%
GM	60	\$3,131	169	\$1,690	4.4%	5.1%
GM	83	\$2,272	93	\$2,270	4.4%	4.6%
GM	32	\$4,691	27	\$2,802	3.9%	4.2%
GM	42	\$4,411	50	\$3,904	6.5%	6.6%
GM	36	\$2,679	49	\$2,815	5.3%	6.8%
GM	44	\$2,190	50	\$2,862	5.2%	5.4%
GM	33	\$4,304	61	\$2,986	2.9%	2.6%
GM	47	\$3,589	55	\$2,732	2.7%	3.3%
GM	37	\$2,284	51	\$1,951	3.0%	3.5%
GM	64	\$4,472	56	\$2,753	2.8%	2.9%
GM	21	\$2,326	72	\$2,077	4.1%	4.4%
GM	20	\$3,457	52	\$2,940	2.6%	4.4%
GM	30	\$1,654	105	\$2,538	3.4%	2.9%
GM	39	\$1,605	138	\$1,103	2.1%	1.8%
GM	45	\$2,284	56	\$2,557	1.8%	3.4%
GM	31	\$2,757	66	\$63	2.4%	2.9%
GM	28	\$4,248	27	\$1,610	3.3%	4.1%
GM	36	\$1,869	51	\$3,221	2.5%	3.0%
GM	29	\$2,834	60	\$2,317	3.0%	2.5%
GM	39	\$2,395	42	\$3,460	1.4%	1.0%
AVERAGE GM	40	\$2,973	67	\$2,433	3.4%	3.8%
IMPORT	187	\$2,682	135	\$2,382	9.9%	9.8%
IMPORT	145	\$3,322	124	\$5,647	4.7%	6.0%
IMPORT	71	\$3,552	68	\$3,129	9.3%	11.6%
IMPORT	151	\$3,665	67	\$3,245	5.3%	5.2%
IMPORT	83	\$2,973	79	\$2,373	7.7%	9.0%
IMPORT	81	\$3,093	85	\$3,146	7.8%	8.7%
IMPORT	145	\$2,582	47	\$2,440	5.8%	5.3%
IMPORT	61	\$1,908	33	\$2,372	5.9%	6.5%
IMPORT	62	\$3,503	52	\$2,944	4.5%	5.1%
IMPORT	44	\$2,561	37	\$5,359	6.9%	8.5%
IMPORT	36	\$3,144	49	\$2,815	5.4%	6.9%
IMPORT	42	\$2,544	24	\$4,315	7.5%	6.0%
IMPORT	57	\$3,123	100	\$1,812	0.6%	3.5%
IMPORT	42	\$2,083	36	\$3,082	4.6%	5.3%
IMPORT	20	\$4,968	28	\$2,302	3.9%	5.3%
IMPORT	27	\$2,728	54	\$2,906	2.1%	2.9%
IMPORT	29	\$3,394	28	\$4,599	4.5%	3.9%
IMPORT	34	\$4,052	44	\$2,112	0.8%	1.0%
AVERAGE IMPORT	73	\$3,104	61	\$3,166	5.4%	6.1%
AVERAGE	51	\$3,042	60	\$2,733	4.1%	4.5%
MEDIAN	37	\$2,974	52	\$2,724	4.0%	4.2%

Dealer Performance

We went through all the dealers we serve through April 2023 and have listed them below by dealer group, the lowest, average, and highest pre-tax net profit percentage of sales for the four months ended April 30, 2023. Some groups below have limited number of same franchise dealers.

	Lowest	Average	Highest
Various Imports	-1.2%	3.6%	9.3%
Toyota	4.5%	6.4%	10.5%
Kia	4.5%	5.8%	7.8%
GM	-1.9%	2.6%	6.5%
Ford	-0.7%	3.1%	6.4%
Chrysler	-1.3%	2.4%	7.0%

As you can see, there is a very wide range of lowest performance, pre-tax net profit percentage of sales, to highest performance. If you are in the bottom third, feel free to contact us for some guidance to improve your performance.

For More Information, Contact:
Phil Kent, CPA - Partner
Email: pkent@michaelsilver.com
9 Parkway North, Suite 300
Deerfield, IL 60015
Phone: 847.213.2113

Michaelsilver.com

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