

POWER STEERING

December 2022



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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%

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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.



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.

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.

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.



Monthly Sales and Profit Survey

November 2022

Make	New Units	Gross New	Used Units	Gross Used	YTD Net Profit %	MTD Net Profit %
CHRYSLER	85	\$3,117	105	\$1,393	8.9%	6.9%
CHRYSLER	60	\$3,801	115	\$2,621	7.5%	5.5%
CHRYSLER	52	\$3,291	115	\$2,590	5.3%	4.2%
CHRYSLER	19	\$4,031	18	\$2,625	3.8%	13.1%
CHRYSLER	61	\$3,790	62	\$2,226	6.9%	3.1%
CHRYSLER	17	\$3,185	40	\$2,915	6.9%	6.0%
CHRYSLER	19	\$2,802	27	\$1,946	3.0%	3.9%
CHRYSLER	117	\$3,772	111	\$1,997	3.4%	0.7%
CHRYSLER	25	\$3,375	35	\$2,670	5.3%	2.1%
CHRYSLER	18	\$4,776	23	\$3,673	8.3%	3.3%
CHRYSLER	21	\$3,120	33	\$2,668	0.6%	1.5%
CHRYSLER	17	\$4,912	11	\$1,823	4.4%	1.8%
CHRYSLER	24	\$764	37	\$1,603	2.0%	0.9%
CHRYSLER	12	\$3,367	25	\$2,693	4.2%	1.3%
CHRYSLER	34	\$2,909	9	\$3,825	4.8%	-0.5%
AVERAGE CHRYSLER	39	\$3,401	51	\$2,485	5.0%	3.6%
FORD	76	\$5,146	151	\$52	6.7%	6.9%
FORD	62	\$4,551	71	\$2,787	5.6%	5.8%
FORD	23	\$4,745	27	\$443	5.4%	8.5%
FORD	91	\$3,830	56	\$3,637	3.8%	4.3%
FORD	33	\$3,552	73	\$2,671	5.9%	5.6%
FORD	36	\$3,599	38	\$4,364	5.8%	8.1%
FORD	29	\$4,511	90	\$2,028	5.4%	4.1%
FORD	22	\$3,831	22	\$2,661	5.2%	7.3%
FORD	34	\$2,915	135	\$1,294	3.8%	2.6%
FORD	43	\$2,997	185	\$666	3.5%	1.7%
FORD	17	\$3,556	43	\$2,196	6.3%	6.0%
FORD	9	\$6,929	28	\$1,823	5.2%	5.2%
FORD	15	\$2,642	36	\$1,859	4.6%	4.8%
FORD	51	\$886	19	\$6,300	2.2%	2.6%
FORD	44	\$2,476	40	\$2,905	3.4%	2.7%
AVERAGE FORD	39	\$3,744	68	\$2,379	4.9%	5.1%
GM	148	\$2,820	121	\$4,293	8.6%	8.9%
GM	199	\$3,402	191	\$2,376	3.1%	2.7%
GM	57	\$3,432	214	\$1,568	6.1%	7.0%
GM	51	\$3,134	118	\$2,152	6.4%	5.9%
GM	100	\$2,896	100	\$1,171	5.6%	4.7%
GM	42	\$2,930	44	\$853	1.1%	3.5%
GM	60	\$2,379	52	\$2,883	5.4%	5.2%
GM	22	\$2,253	75	\$1,973	4.8%	7.5%
GM	29	\$3,863	52	\$3,581	3.8%	2.8%
GM	69	\$2,959	49	\$2,481	4.8%	3.9%
GM	21	\$3,349	34	\$2,109	7.0%	8.6%
GM	29	\$2,248	32	\$3,650	5.7%	7.9%
GM	48	\$1,867	42	\$1,892	3.4%	4.2%
GM	39	\$3,110	65	\$1,243	4.3%	4.0%
GM	19	\$5,146	67	\$2,052	4.8%	5.1%
GM	39	\$3,787	48	\$3,639	6.1%	5.5%
GM	15	\$3,532	39	\$2,055	5.1%	5.5%
GM	22	\$3,404	28	\$1,942	1.5%	5.9%
GM	16	\$4,321	34	\$3,031	3.3%	4.6%
GM	23	\$2,170	79	\$2,539	3.5%	3.5%
AVERAGE GM	52	\$3,150	74	\$2,374	4.7%	5.4%
IMPORT	162	\$2,827	91	\$1,515	10.6%	9.7%
IMPORT	56	\$330	158	\$907	8.9%	8.3%
IMPORT	111	\$2,654	64	\$1,192	5.7%	4.4%
IMPORT	152	\$3,193	25	\$70	6.8%	7.2%
IMPORT	126	\$3,091	122	\$3,261	6.1%	4.4%
IMPORT	152	\$3,088	69	\$2,913	5.8%	5.1%
IMPORT	62	\$2,704	62	\$3,514	6.6%	6.0%
IMPORT	55	\$3,255	93	\$3,366	9.2%	7.4%
IMPORT	58	\$3,618	54	\$3,339	8.4%	7.7%
IMPORT	59	\$3,209	48	\$3,176	5.4%	5.0%
IMPORT	52	\$3,291	115	\$2,590	5.3%	4.2%
IMPORT	59	\$6,689	74	\$2,712	5.7%	5.0%
IMPORT	51	\$3,239	62	\$1,960	5.5%	6.4%
IMPORT	10	\$1,982	132	\$2,214	4.9%	3.9%
IMPORT	20	\$4,421	32	\$3,906	8.5%	10.2%
IMPORT	32	\$2,828	36	\$2,855	3.7%	4.6%
IMPORT	53	\$3,315	21	\$3,030	6.1%	6.5%
IMPORT	30	\$4,135	37	\$4,727	9.6%	6.7%
IMPORT	33	\$2,088	107	\$1,985	3.5%	3.5%
IMPORT	46	\$3,694	44	\$941	2.9%	2.4%
AVERAGE IMPORT	69	\$3,183	72	\$2,509	6.5%	5.9%
AVERAGE	51	\$3,340	67	\$2,437	5.3%	5.1%
MEDIAN	41	\$3,273	52	\$2,510	5.3%	5.0%

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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