

Q3 brings slowing profit growth and margin declines amid market shift on EVs and tough comp vs. Q3 2024

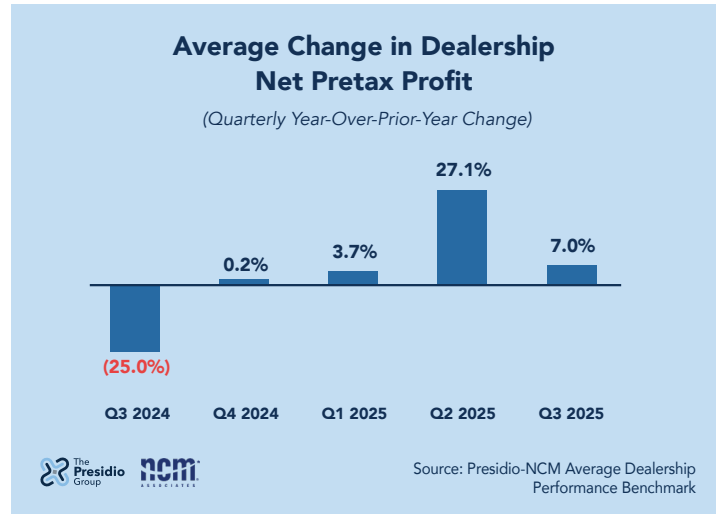
Vehicle sales volume and per-vehicle margins for the average U.S. franchised dealership dropped, while overall profit growth, strong in the second quarter of 2025, notably slowed in the just-completed third quarter, shaped in part by one-time factors.

- The average franchised dealership posted a **7.0%** increase in net pretax profit compared with the third quarter of 2024, led by a robust gain for domestic-brand stores that was countered by flat-to-down earnings for import- and luxury-brand stores.
- Results were affected by **two unusual factors** — last year’s **CDK Global system outage** that made for an outsized 2024 third quarter and this year’s expiration of **federal electric vehicle tax credits** at quarter’s end.
- Gross profit fell across **most departments** — new, used and fixed operations — reflecting lower volume and tighter per-vehicle margins on the variable side. Average finance and insurance income per vehicle did rise though.
- Average gross profit per new vehicle fell **15.7%** from the year-earlier quarter to \$1,840, dropping that metric below \$2,000 for the first time since 2020. Still, it remains well above pre-pandemic levels.

Volumes and vehicle margins dipped in the third quarter of 2025 for the average U.S. dealership compared with both the year-earlier quarter and this year’s strong second quarter that was boosted by new-vehicle buyers rushing to get ahead of tariff-related price increases.

Meanwhile, pretax profit for the average dealership in the third quarter rose from year-earlier levels as dealership profitability continued its rebound in 2025. At 7.0%, the rate of profit gain, however, narrowed significantly from this year’s second-quarter increase of 27.1%.

Two key factors were at play: 2024’s third quarter presented a tough comp as the CDK disruption pushed some June sales and service business into last year’s third quarter. And federal electric vehicle tax credits expired at the end of this



Current Snapshot

Here’s a quick look at the average dealership performance for Q3 2025 compared with Q3 2024:

Revenue: \$22.0M ↑ 1.7%	Profit change YOY: ↑ 7.0%
New vehicles retailed: 219 ↓ 7.6%	Gross profit per new vehicle retailed: \$1,840 ↓ 15.7%
Used vehicles retailed: 181 ↓ 3.0%	Gross profit per used vehicle retailed: \$1,306 ↓ 9.2%
F&I income per retail unit: \$1,666 ↑ 6.9%	Fixed-ops gross profit change YOY: ↓ 8.6%

Source: Presidio-NCM Average Dealership Performance Benchmark

† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO

year's third quarter, driving a surge in EV sales as automakers and dealers increased incentives and discounts to sell down electrified inventory.

Performance varied among brand segments. Domestic-brand dealerships led the way with a 14.7% increase in net pretax profit compared with the third quarter of 2024. Import-brand dealerships posted a much narrower gain, up 1.9%, while luxury-brand dealerships saw a dip, though of just 0.1%.

Importantly, the average dealership's overall earnings remained on an upswing, providing further validation that profitability is normalizing at a level well above pre-pandemic levels. Through the first nine months of 2025, the average store's profit was nearly double its level in 2019, according to an analysis of Presidio-NCM data. The Presidio-NCM Average Dealership Profitability Index stood at a score of 195 at the end of September, down from 200 at the end of June but higher than its March and December marks.

"These results reinforce how resilient dealerships are, even with all the recent market shifts," said George Karolis, president of The Presidio Group. "We're seeing the industry's average profitability normalize at a much higher level than before the pandemic. That said, it's important to remember that outcomes still depend greatly on the brands a store represents and the region where they operate. Not every dealer shares the same experience, and local factors remain a big influence on results."

"Looking ahead, dealers will need to stay flexible and responsive as the market settles into new patterns and true electric vehicle demand becomes clearer," Karolis continued.

The Presidio-NCM Average Dealership Performance Benchmark is based on the aggregated financial results of more than 4,000 U.S. franchised dealerships of all brands and sizes that work with NCM Associates. The number of outlets contributing to third-quarter 2025 data represents nearly a quarter of the 18,000-plus franchised dealerships in the U.S., offering a robust and representative snapshot of industry performance.

As 2025 draws to a close, it's not entirely clear where EV demand will land, though it's widely expected to drop without federal subsidies.

"Dealers who focus on managing costs, keeping accurate and timely data and adjusting inventory and pricing based on current demand will be in the best position," said Paul Faletti, CEO of NCM Associates. "The market is still finding its footing on real demand for EVs, so it's wise to take a measured approach, watch how customers respond and adjust stocking decisions as new trends emerge."



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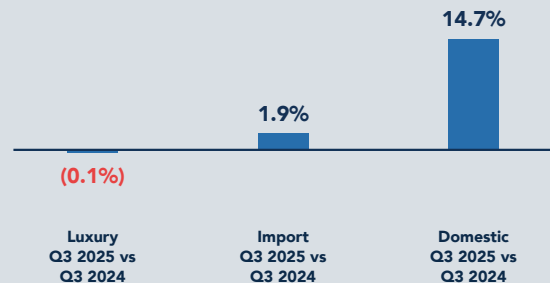
— George Karolis,
president of The Presidio Group

Even though volume, new and used margins and fixed-ops gross profit dropped, the 7% gain in overall pretax profit for the average store pointed to some positives. The growth was helped in part by gains in finance and insurance margins and savings from lower floorplan interest expense.

Electric vehicles were a leading story in the quarter. EV inventory dropped by a sharp 41.6% during the period as stocks fell below 100,000 vehicles for the first time since February 2024, said Kevin Tynan, Presidio's director of research. Average vehicle transaction price topped \$50,000 for the first time as consumers hurried to take advantage of the tax credits before they expired. September set a record for EV adoption as sales topped 10% of total industry volume.

"Dealers moved a record number of EVs during the quarter, often by cutting prices and lowering profits to clear out inventory quickly before the tax credit expired," Tynan said. "The uncertainty now is how demand and sales unfold

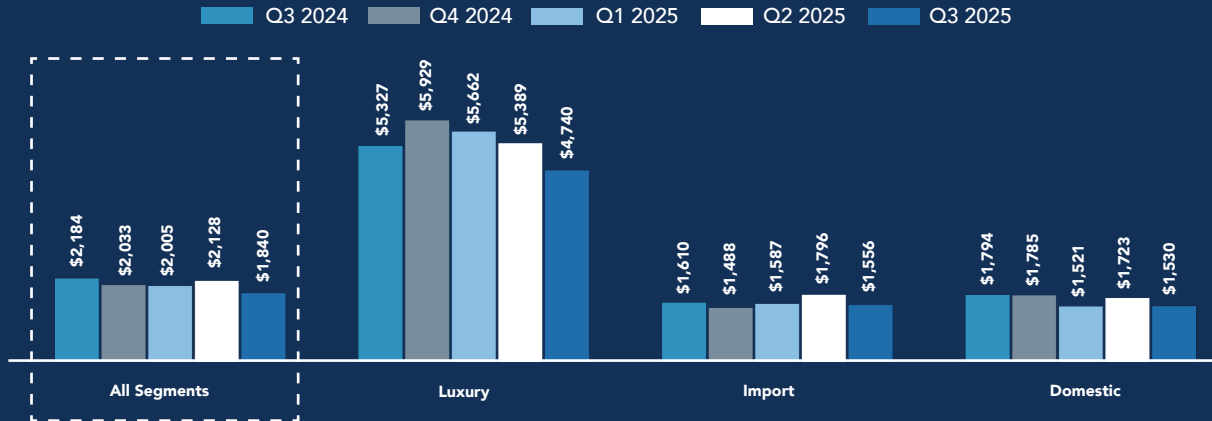
Average Change in Dealership Net Pretax Profit by Brand Segment



Source: Presidio-NCM Average Dealership Performance Benchmark

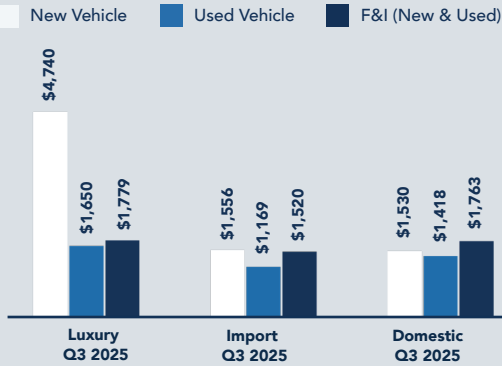
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Average New-Vehicle Gross Profit by Brand Segment



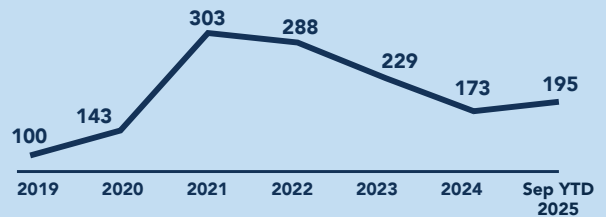
Source: Presidio-NCM Average Dealership Performance Benchmark

Gross Profit Per Vehicle by Brand Segment



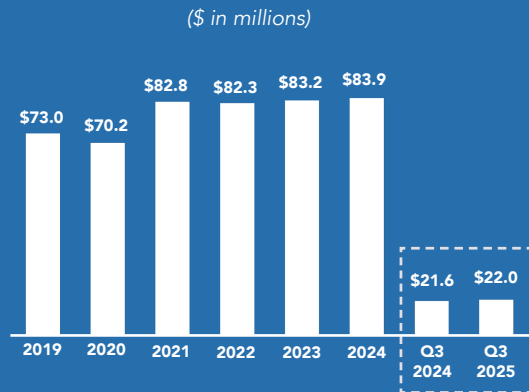
Source: Presidio-NCM Average Dealership Performance Benchmark

Presidio-NCM Average Dealership Profitability Index



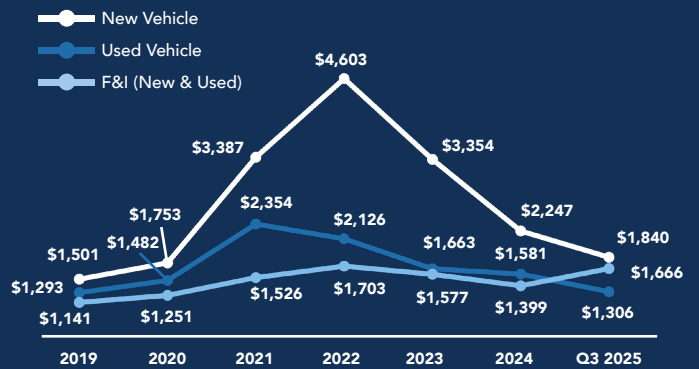
Source: Presidio-NCM Average Dealership Performance Benchmark

Average Dealership Revenues (\$ in millions)



Source: Presidio-NCM Average Dealership Performance Benchmark

Average Dealership Gross Profit Per-Vehicle Metrics



Source: Presidio-NCM Average Dealership Performance Benchmark

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in the quarters ahead — dealers will be closely watching the real-world interest in EVs and adjusting strategies as the market resets without the support of federal incentives.”

One note on fixed operations’ 8.6% gross profit decline: While it seems surprising, this largely reflects the challenging comparison against last year’s unusually strong result connected to the CDK-related business shift. In speaking with numerous private dealers, we understand that both actual business and business line reporting were pushed from June to July of 2024, as service appointments were rescheduled and repair orders for June business were entered in July after CDK was back online. That disruption pushed last year’s third-quarter fixed-ops gross profit to a surge of 12%, well above normal.

A more telling measure on fixed ops may be its nine-month performance. Fixed gross profit rose just 1.8% during that period. While positive, it’s a much lower rate than the industry

has delivered since the pandemic for this ever-important part of the dealership, which is often counted on for steady earnings even when other departments show volatility. That slowing growth bears watching in future quarters.

Personnel costs were essentially flat in the quarter, down 0.1%, and up 3.8% for the year to date. Advertising costs dipped 4.0% for the quarter but were up 2.5% year to date. Floorplan expenses were an area of notable relief for dealers: down 55.2% for the quarter and 38.9% year to date.

While 2025’s third quarter did not match the gains seen in the second quarter, it demonstrated that auto retailing can be resilient in the face of industry changes. Dealerships have adjusted to a very different operating landscape than just a few years ago. Going forward, dealers who respond to market changes, invest in efficient operations and focus on customer service will have the best chance of performing well through evolving conditions.



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