

With average dealership performance leveling, has the industry reached a new normal?

Full-year data from the Presidio-NCM Average Dealership Performance Benchmark shows that auto dealers' operational performance turned a decisive corner during the last three months of 2024, tempering the rate of profit decline the average store experienced last year. The results provide more evidence that the industry is approaching a new normal likely to be characterized by higher overall profitability with a store's brand and geography as differentiating factors.

Net pretax profit for the average U.S. franchised store dropped 24.4% for full-year 2024 compared with 2023. That notably bettered the 30.4% decline recorded for the first nine months of this year. While 2024 ultimately could go down as the year with the steepest profit decline from pandemic-era highs for the typical U.S. dealership, the leveling off seen in the second half may also mark the start of recovery.

"The latest evidence, both from the Presidio-NCM data and Presidio's year-end dealer survey, indicates that the auto retail sector is at the tail end of the Great Normalization," said George Karolis, president of The Presidio Group. "Dealers are more optimistic about their future profitability heading into 2025, and we expect their new normal will include profitability that stabilizes at levels well above pre-pandemic benchmarks, at least for certain brands."

Parts and service continues to be a growth area for the typical dealership. Indeed, 86% of respondents answering Presidio's Year-End 2024 Dealer Direction Survey said they expected parts and service to be a major profit driver in 2025. The fixed operations side of the business — up 4.7% for full-year 2024 — is helping dealerships offset the challenge of the falloff in variable gross margins in 2023 and 2024. Dealership expenses continue to be a challenge — both variable costs and the higher fixed costs ushered in by rising inflation the last several years. Personnel costs dipped only slightly, by 0.2% for the average store, as a relatively strong labor market persists. Advertising expense rose 3%, while floorplan interest soared, swinging to a \$142,203 expense per dealership in 2024 from a credit of \$9,820 in 2023.

"It's encouraging to see signs of dealership profitability starting to stabilize after the falloff of the last couple of years. Dealers

are now positioned to make even more of a pivot on earnings in 2025," said Paul Faletti, CEO of NCM Associates. "To make the most of that pivot, dealers should prioritize cost control and leverage technological efficiencies to sustain and even enhance revenues and profits in this evolving landscape."

The Presidio-NCM Average Dealership Performance Benchmark is based on aggregated financial results of nearly 3,900 U.S. franchised dealerships of all brands and sizes that work with NCM Associates, which provides 20 groups, consulting and training to dealers. The number of outlets contributing data for full-year 2024 represented more than a fifth of the 18,000-plus franchised dealerships in the U.S.

Even with last year's 24.4% profit decline, the average store looks to be stabilizing at a level well above what was typical

Current Snapshot

Here's a quick look at the average dealership performance for full-year 2024:

Profit change year over year:

↓ **24.4%**

Revenue:
\$83.9M
↑ 0.7%

New vehicles retailed:
883
↑ 2.8%

Used vehicles retailed:
729
(no change)

Gross profit per new vehicle retailed:
\$2,247
↓ 33.0%

Gross profit per used vehicle retailed:
\$1,399
↓ 15.9%

F&I income per retail unit:
\$1,581
↑ 0.3%

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

PRESIDIO-NCM AVERAGE DEALERSHIP PERFORMANCE BENCHMARK

before the pandemic started in 2020. The average dealership's pretax profit for full-year 2024 was 1.7 times 2019's, according to an analysis of the Presidio-NCM data.

With this report, we are introducing the Presidio-NCM Average Dealership Profitability Index, which will track profitability for the average store from a pre-pandemic baseline of 2019.

As inventory availability improved, the average dealership retailed 883 new vehicles in 2024, up 2.8%. The average store retailed 729 used vehicles, the same number recorded in 2023. Total revenue per store averaged \$83.9 million, an improvement of 0.7% and a pivot from the first nine months of 2024 when the average store's revenue was down 2.0%.

Vehicle margins, while still down sharply for 2024, saw their rates of decline narrow as the year ended. The average gross profit per new vehicle dropped 33.0% for the full year to \$2,247. That metric had declined 33.5% through the first nine months of the year. Average gross profit per used vehicle dropped 15.9% to \$1,399 for all of 2024. The used rate of decline had been 19.3% through the first nine months.

Finance-and-insurance income improved slightly, up 0.3% to \$1,581 for the full year. That was better than the first nine months of 2024 when it dropped 1.2% and averaged \$1,568 per vehicle.

While profitability remains elevated on average compared with before the pandemic, it's clear from our discussions with dealers that there was much more variability in individual dealership performance in 2024 that was influenced by brand and geography. Some automakers have aligned production, inventory and incentives much better than others.

While NCM doesn't report data for individual brands, that trend can be seen in Presidio-NCM benchmark data

segmented by brand type. The full-year declines across all three brand segments narrowed from the first nine months of 2024. While that shows broad stabilization, the differences among the luxury, domestic and import segments illustrate the importance of brand during this normalization process.

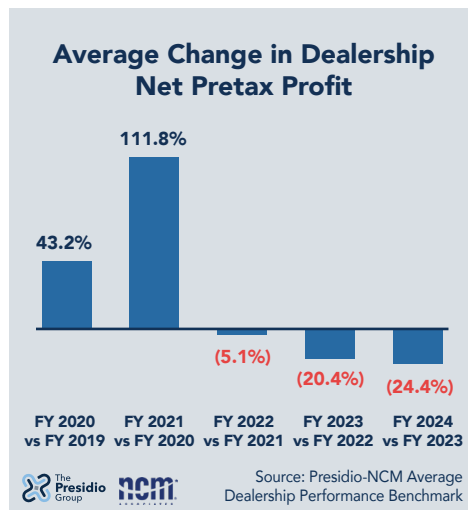
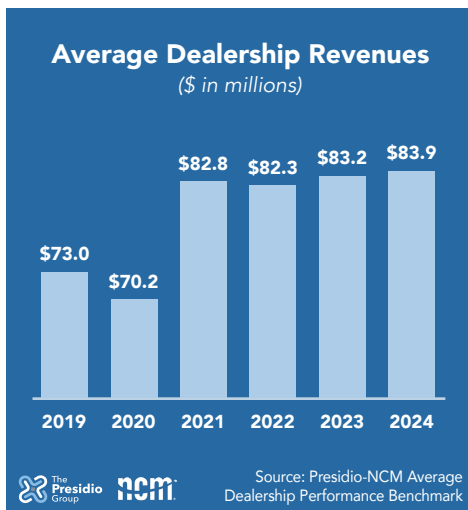
The luxury-brand segment once again outperformed the domestic and import-brand segments. The average luxury store experienced a 15.3% year-over-year profit dip for 2024 versus a 25.4% slide for domestic and a 26.6% drop for import.

Luxury stores also continued to hold margins better. Average gross profit per new vehicle for the luxury segment was \$5,679 for full-year 2024. While that was down from 2023's level, it was better than the average through the first nine months of 2024, demonstrating a strong fourth quarter for the luxury segment. Gross profit per used vehicle was \$1,986 for the average luxury store, down from 2023 but better than at previous points in 2024.

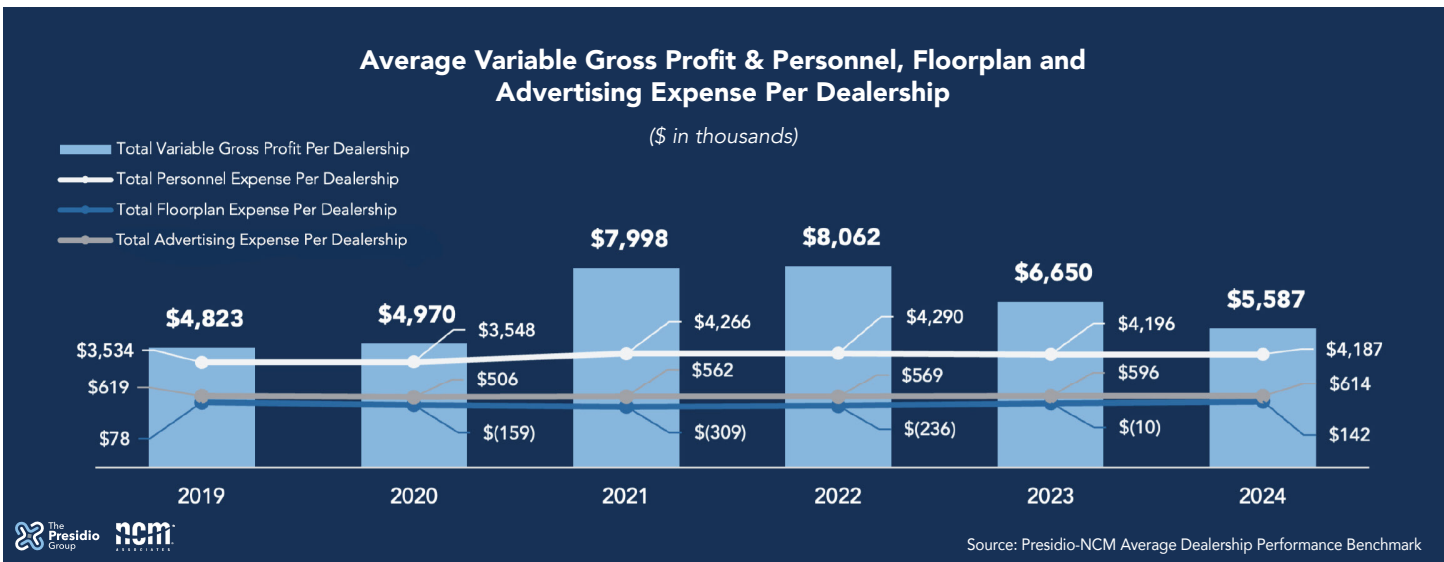
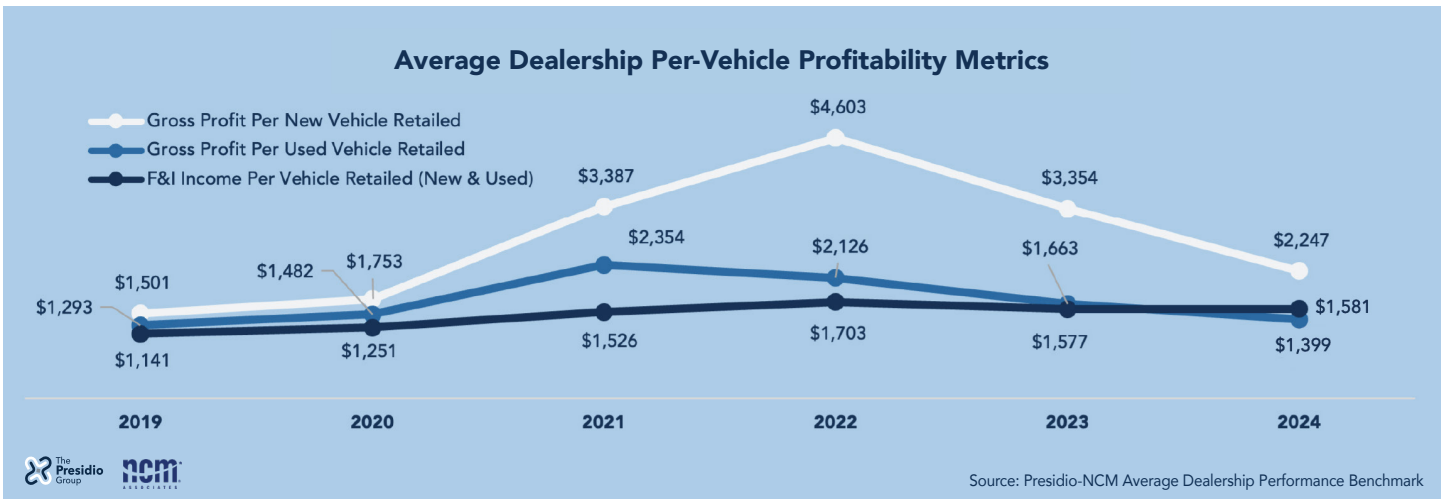
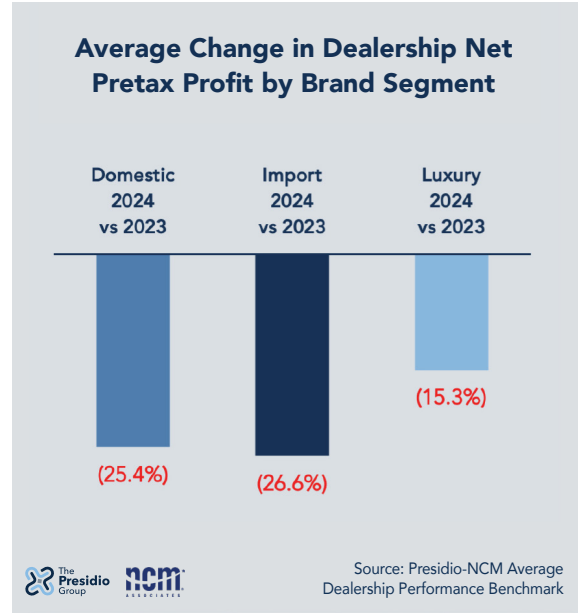
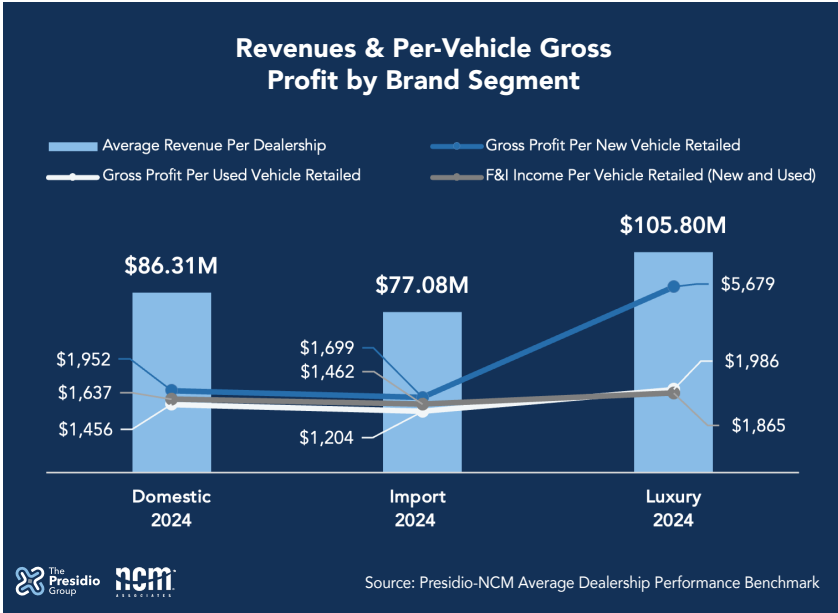
Average gross profit per new vehicle for domestic stores slid sharply year over year to \$1,952. Gross profit per used vehicle came in at \$1,456, down year over year.

Average gross profit per new vehicle for import-brand stores dropped year over year to \$1,699. Gross profit per used vehicle was \$1,204. We continue to point out that though the import segment is seeing the steepest profit slide, certain brands in that segment — notably Toyota, Subaru and Honda — have some of the best-performing dealerships in the industry.

As 2025 progresses, the Presidio team will watch for further evidence of where the new normal settles. Dealers answering Presidio's year-end 2024 survey are notably more optimistic than they were last summer about seeing a profit recovery during the next year.



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