YEAR-END 2025 DEALER DIRECTION SURVEY

As they head into 2026, U.S. auto dealers remain optimistic but realistic about their profitability prospects. While vehicle affordability is a growing top concern, most dealers expect stable or improving business performance in the year ahead, according to the Presidio Year-End 2025 Dealer Direction Survey. Interest in buying dealerships remains strong, with the majority of survey takers wanting to acquire.

More than 68% of survey respondents expect profits to be steady or increase over the coming year. They are even more optimistic looking at the next three years, with 75% forecasting steady or improved profits. Compared with Presidio's midyear 2025 survey results, dealers' expectation about near-term profitability has slightly softened, while their outlook for the next three years has improved.

"Dealers have adjusted to multiple disruptive cycles in recent years and have built operational discipline," said George Karolis, president of The Presidio Group. "While challenges remain — from regulatory and tariff policy, to cost and affordability concerns — most are positioning for measured growth and remain attentive to factors that could affect both day-to-day profitability and long-term value."

The Presidio Dealer Direction Survey is conducted twice a year to gauge insight into dealership profitability, valuation and the buy-sell market. The year-end 2025 survey, fielded from Nov. 13 to Dec. 17, aggregated responses from 222 dealers and dealership group executives representing more than 3,100 franchised stores. We also queried survey takers on the factors most challenging for dealers and asked them to rate the most desirable brands to represent.

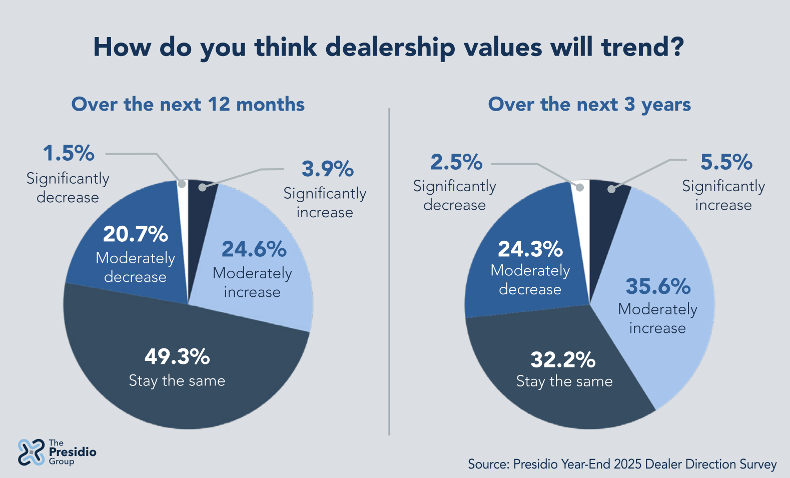
Dealers expect parts and service will be the biggest driver of their business in 2026, with 85% naming it as such. "I believe fixed-operation profits will continue to carry the dealerships," one dealer wrote.

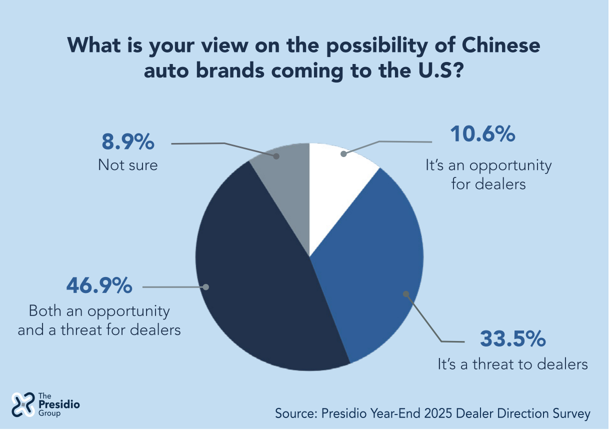
More dealers than a year ago expect the used-vehicle business to help, with 48% of respondents naming that as a top driver vs. 45% a year ago. With more off-lease vehicles returning to the market this year and boosting supply, "I see opportunity for pre-owned gross to increase from historically low levels," a survey taker noted.

While cost cuts are also expected to be a main driver in 2026, the share of dealers expecting that has dropped to 31% from 34% a year ago. Dealers, however, expect employee productivity moves and

KEY SURVEY HIGHLIGHTS

- **68%** of dealers expect steady or growing profits in 2026, and **75%** foresee such stabilization for the next three years
- **Presidio's Magnificent Seven** is reunited as **Porsche** rises; **Mercedes-Benz** passes **BMW**, and **Ford** for the first time is among the 10 most desirable brands to represent
- Nearly **50%** of dealers expect stable dealership values in the next year vs. 40% six months ago
- **59%** want to buy stores in the next year with a focus on high-quality brands in growth markets
- **Vehicle affordability** accelerates as dealers' top near-term headwind, while direct sales, OEM margin cuts and Chinese brands are the top long-term threats
- **93%** of dealers have or plan to expand software use, including **AI tools**, and report productivity gains and improved customer engagement



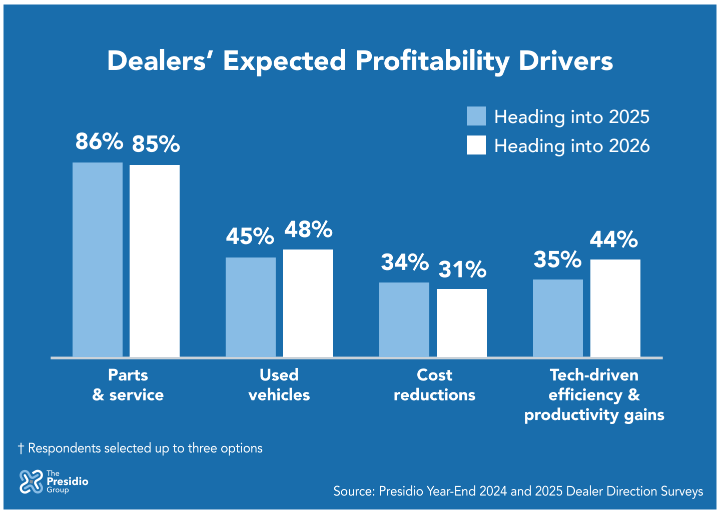


technology implementation to be more meaningful in 2026. The share of respondents projecting those factors as main drivers rose to 44% from 35% a year ago. Survey takers could select up to three top drivers.

An increasing number of dealers expect stabilizing store valuations. Nearly 50% said they expect values to hold steady in the next 12 months — nearly 10 percentage points higher than reported at midyear. More than 32% expect values to remain steady over a three-year period, nearly six percentage points higher than at midyear. This rising "stay the same" outlook marks a shift toward greater valuation stability for dealerships after pronounced ups and downs seen during and coming out of the coronavirus pandemic.

"There's still a ton of cash on the sidelines that needs to be deployed, so competition for capital deployment could keep valuations high" one dealer wrote. "Values hold steady or tick up slightly. Consolidation appetite from publics and private equity keeps demand strong," another said.

With buyers increasingly focused on top brands in growth markets, the Presidio team expects that demand will likely keep values strong for high-quality dealership assets. About 59% of survey respondents expressed interest in buying dealerships over the next year.



Dealers have a broad consensus about key risks for the industry this year. Concern about vehicle affordability came in as the top near-term headwind, cited by 67% of respondents, the highest level ever in the survey's history. The average transaction price of a new vehicle crossed the $50,000 mark late last year.

"Too much of the population can't afford an automobile," one dealer wrote. "Customers have less buying power," another noted. Dealers' concern about loan availability and lending standards jumped to 10% from 3% at midyear, signaling rising anxiety about tighter credit and broader economic pressure.

Automaker margin cuts are another increasing concern, jumping from 20% at midyear to nearly 27%. That supports what Presidio has heard from dealers in recent months about more automakers trimming dealer margins. Meanwhile, concern about the industry shift to electric vehicles dropped meaningfully from the midyear 2025 survey, likely reflecting the rollback of EV mandates.

Longer-term, dealers are increasingly anxious about the potential impact of Chinese automakers entering the U.S. market. China ranked as the third biggest long-term industry threat, cited by 30%, behind only direct sales models, chosen by 55%, and automaker margin changes, picked by 35%.

Dealers were specifically asked for their views on the possibility of Chinese auto brands entering the U.S. market. Nearly half called it both an opportunity and a threat, while a third view it strictly as a threat and just 11% see it as an opportunity. "Our lawmakers should be doing everything in their power to keep the Chinese automakers out of this market," one dealer wrote. Another said, it "will be good if they choose the dealer model. Problematic if they go direct."

Though dealers are optimistic about 2026, they noted that the "easy money" is in the past.

"2026 will reward dealers who run tight operations, focus on fixed ops and don't chase volume at the expense of gross," a dealer wrote. "It's a back-to-basics year."

Tech tools see rapid uptake

Adoption of technology tools is accelerating rapidly among U.S. dealerships, the Presidio Year-End 2025 Dealer Direction Survey found. Dealers are experimenting with software, including artificial intelligence-enabled tools, to streamline operations, enhance the customer experience and improve processes.

More than 93% of respondents have expanded or plan to expand their use of software tools, while 68% reported positive experiences. Dealers are testing software covering a wide range of dealership activities, from service scheduling and automated call answering to reputation management and vehicle appraisals.

"Dealers are actively expanding their tech stacks and exploring new tools, especially in the area of artificial intelligence," said Brodie Cobb, CEO of The Presidio Group. "While most report early success, this technology is still developing and gaining new capabilities by the day. Dealers are taking a practical approach — adopting software where it adds real operational value and keeping a close eye on how these platforms evolve in the years ahead."

Several dealers said they are continually assessing new tools, particularly AI software. "If you're not investing in the future, you might as well get out," one dealer wrote. Routine tasks are generally handled well by new tools, some said. Another reported uneven results now but "definitely [sees] this technology helping in the future."

Some survey takers described their experiences as a mixed bag, noting some products aren't fully proven. "It's not mature enough yet," one dealer wrote. Said another: "The AI-to-human pass off is still somewhat of a challenge."

The most widely adopted tools thus far involved service scheduling and repair order management, used by 76% of respondents; automated call answering and customer communications, used by 57%; and customer relationship management, used by 53%.

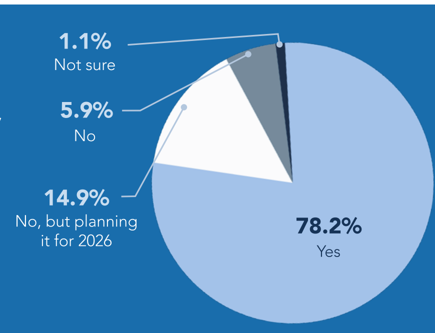
Dealers identified clear benefits from the products. The most common were enhanced customer experience, reported by 62% of respondents; better outreach and engagement with customers, noted by 61%; and productivity improvements, identified by 60%.

Dealers expect tech, particularly AI, to be even more impactful as products improve and integrate. Some expressed cautious optimism and a careful approach — "slow and steady," as one respondent summed up.

Another described the current environment in the auto retail tech space as "a bona fide arms race. We'll see who wins ultimately."

TECH USE RISES

Have you expanded your use of software/ technology tools, including artificial intelligence-enabled tools, in the last 12 months?



The Presidio Group

Source: Presidio Year-End 2025 Dealer Direction Survey

LEADING TECH TOOLS

Here are the top tech software categories, including artificial intelligence-enabled tools, that dealers report using:

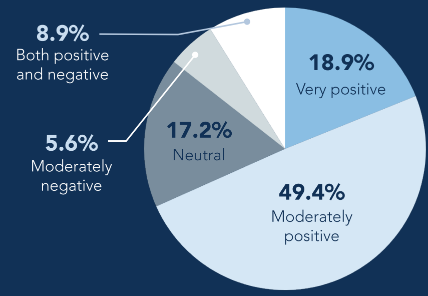
Service scheduling/repair order management	**76.3%**
Automated call answering/customer communications	**56.5%**
Customer relationship management	**53.1%**
Reputation and review management	**39.0%**
Vehicle appraisal	**37.9%**
Vehicle listing and merchandising	**36.7%**
Recall/warranty management	**33.9%**

The Presidio Group

Source: Presidio Year-End 2025 Dealer Direction Survey

HELPING HAND

What kind of experience have you had with recently adopted technology tools, including AI-enabled tools?



The Presidio Group

Source: Presidio Year-End 2025 Dealer Direction Survey

TECH BOOST

Dealers report these top benefits from their use of recently adopted technology software, including AI tools. They could select up to three options.

Enhanced customer experience	**62.0%**
Better outreach to/communications with customers	**60.9%**
Productivity improvements	**60.3%**
Increased sales	**33.5%**
Better use of staff skills	**33.5%**
Reduced headcount needs	**22.4%**
Enhanced employee experience	**21.8%**
Cost savings	**20.7%**
Higher profits	**11.7%**

The Presidio Group

Source: Presidio Year-End 2025 Dealer Direction Survey

YEAR-END 2025 BRAND DESIRABILITY RANKING

Presidio's Magnificent Seven brands are reunited. After falling out of that group in 2025's midyear survey, in part because of tariff uncertainty and some challenging brand policies, Porsche moved ahead of Kia in year-end dealer voting to reclaim the No. 7 position in the Presidio Brand Desirability Ranking.

The change in part reflects an environment in which dealer concerns around tariffs eased in the second half of 2025.

"Porsche edged back into the Magnificent Seven, moving in front of Kia, while Mercedes-Benz reflected its new leadership and improved focus by pulling ahead of BMW," said George Karolis, president of The Presidio Group. "Ford's rise to the top 10, just in front of Chevrolet, means we now have two domestic brands there for the first time. The top of the brand rankings is now defined by leading luxury brands, strong imports and a couple of rising domestics — a sign that dealers are focusing on the brands best positioned to perform as the industry evolves."

The ranking is based on responses to the Presidio Year-End 2025 Dealer Direction Survey, which asked dealers to rate the desirability of owning stores representing specific brands.

In addition to Porsche, the Magnificent Seven includes Toyota, Lexus, Honda, Subaru, Mercedes-Benz and BMW. Toyota and Lexus remain No. 1 and No. 2, sustaining a six-survey streak at the top. Honda and Subaru show steady demand, with multiple respondents highlighting Japanese brands as preferred acquisition targets.

After Kia at No. 8, Ford ranked ninth, reaching the top 10 for the first time since the ranking's inception. Sentiment around Ford has benefited from recent improvements in dealer relations and the brand's shift away from aggressive electric vehicle pursuits.

Chevrolet held steady at No. 10. Hyundai, ninth in all previous surveys, slipped out of the top 10. While Hyundai still demonstrates strength in the No. 11 spot, some dealers criticized the brand, noting experiences with declining profitability and concerns about dealer relations and high production levels.

Survey takers indicated they are looking for new products, strong leadership and competitive pricing when considering future brand investments. It underscores a theme that Presidio has highlighted for years — as profitability continues to recede from coronavirus-pandemic highs, dealers are making a flight to quality in their brand portfolios. That is expected to continue as dealers looking to acquire target strong brands in growth markets throughout the U.S.

Reunited: The Presidio Group's Magnificent Seven

These seven brands topped Presidio's ranking across four surveys in 2023 and 2024 and again at year-end 2025 with dealers rating them as highly desirable.

*Back in the Magnificent Seven after falling out in 2025's midyear survey
Source: Presidio Year-End 2025 Dealer Direction Survey

Brand Ranking

Dealers responding to a Presidio survey ranked the desirability of owning stores representing the following brands:

PRESIDIO MAGNIFICENT SEVEN

Toyota	9.11
Lexus	8.91
Honda	7.94
Subaru	7.65
Mercedes-Benz	7.14
BMW	7.05
Porsche	6.72
Kia	6.48
Ford	6.11
Chevrolet	6.08
Hyundai	6.07
Buick-GMC	4.92
Mazda	4.84
Audi	4.61
Cadillac	4.45
Genesis	4.30
Jaguar-Land Rover	4.21
Acura	4.06
Volkswagen	3.65
Ultraluxury	3.61
Volvo	3.38
CDJR	3.24
Lincoln	3.19
Nissan	2.90
Infiniti	2.47

Source: Presidio Year-End 2025 Dealer Direction Survey