



Q1
2025

Presidio Perspectives:

A Quarterly Outlook on Auto Retail and M&A Trends

FIRST QUARTER 2025



AUTO EXPERTS. DEAL EXPERTISE.

Helping dealers buy and sell dealerships since 1998.

The professionals at Presidio
have completed over

280

automotive transactions

The professionals at Presidio
have completed nearly

\$19.0B

in deals

Since 2020, Presidio has
advised on deals involving over

180

dealership franchises

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Another new normal?

Welcome to The Presidio Group's latest issue of "Presidio Perspectives: A Quarterly Outlook on Auto Retail and M&A Trends," our publication that chronicles shifts in dealership performance, auto technology and the buy-sell market.

Our discussions the past few quarters have focused on finding the new normal in dealership performance and the possibility that profitability may level out higher than before the pandemic.

But what is normal in today's auto retail? Just as we may have been approaching a new point of stability, sweeping new U.S. tariff policies change everything — ironic, given all the ups and down of the last several years.

So is profitability back to "normal?"

Time will tell. But on this there's no debate: The first quarter of 2025 marked a significant turning point as the average store posted a meaningful gain in earnings after nearly three years of falling profits, according to the Presidio-NCM Average Dealership Performance Benchmark.

The uptick could indicate dealership performance has stabilized after years of declining profitability and pandemic volatility. But the profit increase wasn't universal — the average luxury store climbed 18% and the average import store rose 6.1%, while the average domestic store slipped by 4.8%. That underscores that brand and geography matter more than ever in this changing landscape.

Tariffs carry their own uncertainties, and potential opportunities. Presidio's Kevin Tynan writes in this issue that a "tariff pandemic" might not be bad for dealers, noting the low volume and tight supply of the coronavirus pandemic led to the most profitable period in auto dealer history.

This sentiment may be driving the bullish views of many dealers. After a slowdown in deal closings during the first quarter tied to hesitancy in activity last year ahead of the presidential election, the market is now heating up. Presidio's deal flow has strengthened as the year has progressed, and we expect a very active M&A environment over the remainder of 2025.

Dealers have always faced uncertainty with optimism. Over the past few decades, dealers have faced abrupt changes: the events of September 11, the global financial crisis, the coronavirus pandemic. Each challenge has been overcome by the entrepreneurial spirit of the U.S. dealer body and the resiliency of the franchise model.

Thank you for reading. We hope you enjoy the latest issue.



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At The Presidio Group, our goal is to inform you as soon as we receive key data — keeping you on top of the trends. If you are not already registered to receive our industry insights and data reports, please scan the QR code to the right and sign up.



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'Tariff pandemic' could drive vehicle prices higher, expand margins for automakers and dealers



Kevin Tynan

Director of Research
The Presidio Group

There is an old saying: "If you don't like the weather, wait 30 minutes." Just last quarter, I wrote about 2025 being a year of structural change to address automotive manufacturer overcapacity.

But in today's rapidly evolving world of tariffs, focus is shifting — from higher inventory and lower margins to the potential for a "tariff pandemic" period of reduced supply to spur higher margins.

The implementation of the Trump administration's new tariffs, announced at 25%, on vehicles built, or parts manufactured, outside of the U.S. creates inflationary pressure. Suppliers and manufacturers that have tariffs levied on their products will either pass along the additional expense to consumers or absorb them into their own cost of goods. The latter scenario is not sustainable for manufacturers with a high percentage of imported vehicles. Upending long-established North American free trade policies, the new tariffs apply even to the non-U.S. content of vehicles produced in Canada and Mexico.

U.S. new-vehicle sales in 2024 totaled 16 million; approximately 11 million of those units were assembled in domestic factories. All vehicles contain some percentage of parts produced outside the U.S. and are thus exposed to some degree. But the 5 million units assembled elsewhere and imported into the U.S. are subject to varying levels of

tariffs high enough to alter automaker production strategy.

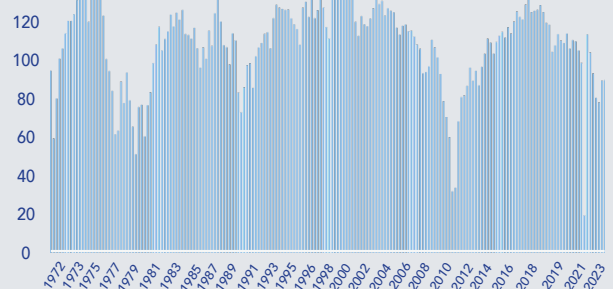
Automotive factories in the U.S. have operated at capacity utilization rates below 80% for 30 consecutive quarters, the second-longest stretch under 80% since 1972. The longest was the 34 quarters from 2005 through 2013 in which Chrysler, General Motors and dozens of automotive parts suppliers filed for bankruptcy. Achieving capacity utilization of 80 percent or more is considered ideal because it maximizes efficiency by spreading fixed costs over higher production volumes while retaining flexibility for market fluctuations and unforeseen disruptions.

Today's excess capacity gives automakers options as tariffs change the financial economics of producing vehicles outside of the U.S. Manufacturers may ramp output from their underutilized U.S. factories to absorb some of 5 million vehicles that have been imported annually.

Ford and General Motors, the two largest domestic manufacturers, have enough installed capacity in the U.S. to absorb at-risk supply from Canada,

Takeaway: With tariffs already disrupting vehicle imports, auto manufacturers are looking to leverage underproducing U.S. factories to boost domestic output and improve capacity utilization. But that likely won't keep supply numbers steady, particularly for certain brands, creating a scenario where dealers could regain pricing power and higher margins.

Average U.S. Automobile Factory Capacity Utilization Rate

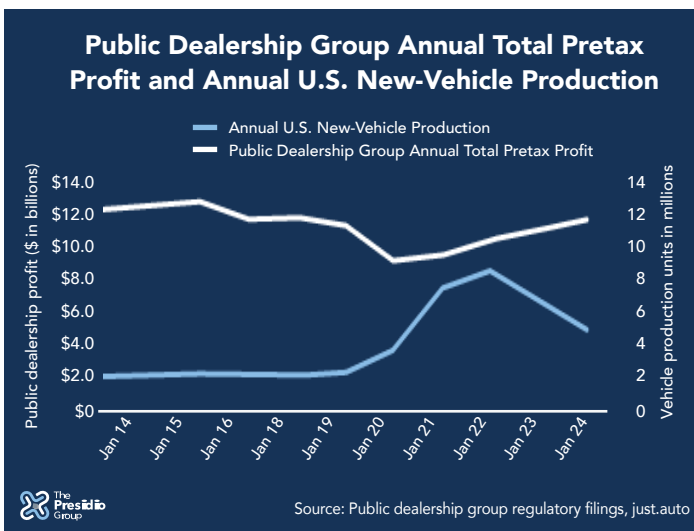


Source: Board of Governors of the Federal Reserve System (US)

Mexico and elsewhere. Ford has approximately 2.9 million units of U.S. new-vehicle capacity but built just 1.6 million vehicles domestically in 2024, with light trucks representing 96.5% of that output. General Motors has 2.5 million units of U.S. capacity but assembled just 1.7 million vehicles in 2024, with light trucks making up 95.9% of last year's production.

Constrained supply proved profitable for automakers and dealerships during the pandemic

During the coronavirus pandemic, constrained supply limited U.S. new-vehicle volume, driving prices higher for consumers while fostering revenue and profit growth for manufacturers and retailers.



In 2022, available U.S. inventory slipped below one million units, and dealerships posted record profits on volume of only 13.8 million new vehicles for the year. That was the lowest annual U.S. sales total since 1992 except for the global financial crisis years of 2008 through 2011. The six full-line publicly traded dealership groups collectively generated \$7.9 billion in adjusted pretax profit in 2022, a year in which they sold 1.1 million new vehicles. In 2019, the last full year before the pandemic led to supply-chain disruption, pretax profit for the public peer group was \$2.2 billion on similar new-vehicle volume. By contrast, the group's collective pretax profit slid to \$4.6 billion on new-vehicle sales of 1.4 million in 2024, a year in which new-vehicle inventory climbed back above 3 million units.

For automakers, rightsizing their U.S. factory footprint in a

market that rewards local production and penalizes foreign-built vehicles will be a heavy lift. However, if tariffs restrict supply, profits for automakers and their dealers could benefit like they did during the coronavirus pandemic.

Combined adjusted pretax profit for Ford and GM in 2022 was \$22.8 billion, 214% higher than in 2019, even though the two companies together sold just 3% more vehicles domestically.

U.S. tariff implications are markedly different for automakers, dealerships and consumers, though higher prices throughout the value chain are almost guaranteed.

Manufacturers should evaluate their U.S. production strategies and consider the cumbersome structural changes necessary to shift assembly capacity and supply chains to domestic sources. Consumers will bear the brunt of higher prices, and annual U.S. new-vehicle volume will likely struggle to reach 16 million units in the intermediate term.

Franchised dealers, however, have the revenue diversity to capture more margin as tariffs constrain supply to tighter alignment with demand. In the end, tariffs could create the pricing power and higher margin environment of 2022, the most profitable year ever for auto retailers. But in this scenario, profit gain would be driven by tariffs rather than a virus.

Kevin Tynan, Presidio's director of research, has 25 years of investment research experience covering the automotive industry. He was global director of automotive research for Bloomberg Intelligence before joining Presidio in 2024. Contact Kevin at ktynan@thepresidiogroup.com or 631-671-9148 to discuss research topics.



PRESIDIO-NCM AVERAGE DEALERSHIP PERFORMANCE BENCHMARK

Dealership profit rebounds after 3 years of decline. Have earnings normalized even as tariff risk looms?

The first quarter of 2025 marked a significant turning point for franchised auto dealers: After nearly three years of falling profits as auto retailing normalized from the heady returns of the early years of the coronavirus pandemic, the average dealership in the U.S. posted a meaningful gain in earnings, according to new data from the Presidio-NCM Average Dealership Performance Benchmark.

The average franchised store posted a 3.7% increase in net pretax profit for the first three months of 2025 compared with the first quarter of 2024. The improvement followed an essentially flat performance in the fourth quarter of 2024, in which the average store posted a 0.2% profit gain.

The uptick could indicate that dealership performance has stabilized after years of declining profitability and pandemic-induced volatility. But lasting stability will be tested by new uncertainties, namely, President Donald Trump's sweeping tariffs.

Tariff threats already played a role in the first-quarter results with vehicle sales surging in March as consumers went shopping to get ahead of expected higher vehicle prices. In addition to higher prices, some market watchers project tariffs could ultimately lower new-vehicle sales volume for 2025.

Even with tariff concern looming, there is much to cheer about the gains seen in the first quarter. But the profit increase wasn't universal across brand segments — the average luxury store climbed 18% and the average import store rose 6.1%, while the average domestic store slipped by 4.8%.

The average store's profit for the first quarter of 2025 was far better than the typical profit before the pandemic at 1.8 times 2019's level, according to an analysis of the Presidio-NCM data. It begs a question that's hard to answer with today's tariff uncertainty: Could this be a new normal for dealership performance?

For the first quarter, the Presidio-NCM Average Dealership Profitability Index turned upward to a score of 180, surpassing its mark of 173 at the end of 2024. The index was introduced in late 2024 as a tool to track profitability for the average store going back to a pre-pandemic baseline of 2019.

Takeaway: Profit rebounded for the average U.S. dealership in Q1 2025, driving the Presidio-NCM Average Dealership Profitability Index significantly higher.



Current Snapshot

Here's a quick look at the average dealership performance for Q1 2025 compared with Q1 2024:

Revenue:
\$20.9M
↑ 6.8%

Profit change YOY:
↑ **3.7%**

New vehicles retailed:
218
↑ 9.8%

Gross profit per new vehicle retailed:
\$2,005
↓ 20.6%

Used vehicles retailed:
183
↑ 0.9%

Gross profit per used vehicle retailed:
\$1,410
↑ 1.3%

F&I income per retail unit:
\$1,613
↑ 4.2%

Fixed-ops gross profit change YOY:
↑ **5.6%**



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

“The first quarter of 2025 represents a critical inflection point for franchised dealers as demonstrated by the improvement in the Dealership Profitability Index,” said George Karolis, president of The Presidio Group. “After years of volatility, we’re seeing profit performance stabilize and even trend higher, which could signal a new operational normal more robust than pre-pandemic levels. The ongoing tariff dynamics add complexity, but they’re also revealing dealers’ resilience and adaptability in managing market uncertainties.”

The Presidio-NCM Average Dealership Performance Benchmark is based on the aggregated financial results of about 4,200 U.S. franchised dealerships of all brands and sizes that work with NCM Associates. The number of outlets contributing to first-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 dealers seek to maintain the positive trajectory of the first quarter, it’s important that they concentrate on strategies to continue building momentum.

“In this era of uncertainty, dealers should maintain laser-sharp focus on operational excellence and leadership,” said Paul Faletti, CEO of NCM Associates. “The key is to leverage best practices, lean on expert advisers and actively engage with peers to navigate market complexities. By staying agile and strategic, dealers can transform potential challenges into opportunities for performance gains.”

As always, brand and geography are big factors affecting operational performance. Some brands have maintained robust results while others have faltered as overall industry performance leveled off.

“As we enter this new phase of tariffs, brands will matter more than ever before,” Karolis said.

Luxury brands continue to lead the charge with a year-over-year surge in pretax profit for the average outlet of 18% in the first quarter. Luxury stores were the first to see a profit rebound on a quarterly basis, with that segment also up 14.8% in the fourth quarter of 2024.

The import segment turned decisively positive in this year’s first quarter, with the average import store posting a pretax profit gain of 6.1% compared with the year-earlier quarter. While NCM doesn’t report data for individual brands, it’s clear from other sources and Presidio’s own contacts in the industry that certain import brands like Toyota and Subaru have maintained strength as others such as Nissan have faltered.

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

Domestic brands collectively continue to face headwinds. The domestic segment’s average pretax profit dip of 4.8% year over year made it the only segment not to start 2025 with a rebound. Much variation also exists in the domestic segment, with core brands such as Chevrolet and Ford still much desired by bigger dealers for a well-balanced portfolio. Meanwhile, Stellantis’ brands have struggled, likely contributing to the segment’s continued profitability decline.

Overall new-vehicle gross profit per unit continued to normalize in the first quarter, sliding 20.6% on a year-over-year basis to \$2,005 per vehicle — its lowest level since 2020. New-vehicle margins showed variations among the segments, however. The average domestic-brand store saw gross profit drop to \$1,521, down sequentially from \$1,785 in the fourth quarter of 2024.

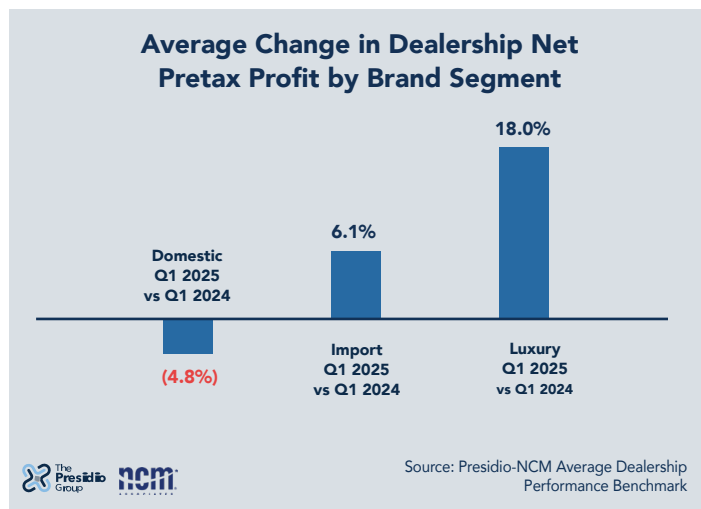
The luxury segment’s gross profit per new vehicle fell to \$5,662 compared with \$5,929 in the fourth quarter of 2024. The import segment posted a slight uptick on a sequential basis, with gross profit per new vehicle increasing to \$1,587 in the first quarter, up from \$1,488 in the previous quarter.

On the used-vehicle side of the business, overall gross profit

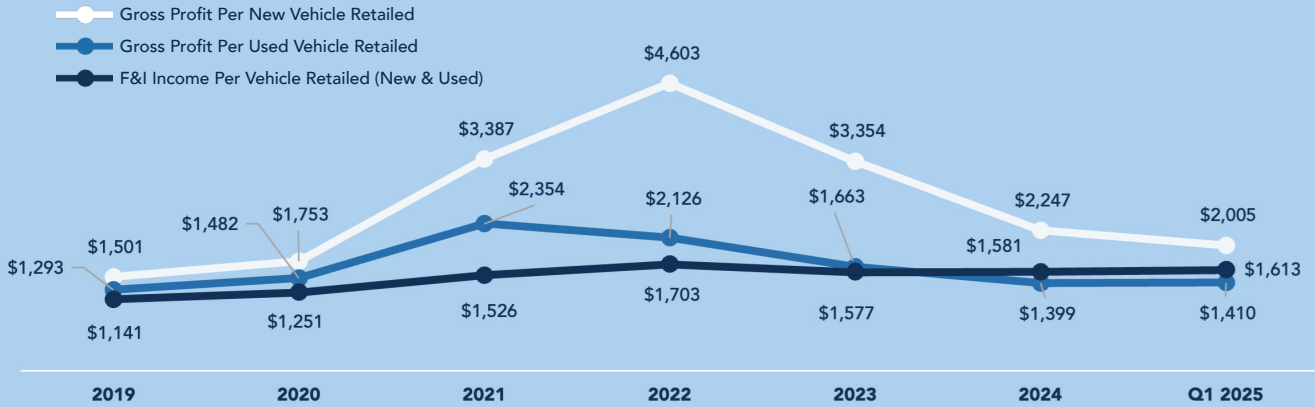


“As we enter this new phase of tariffs, brands will matter more than ever before.”

— George Karolis, president of The Presidio Group

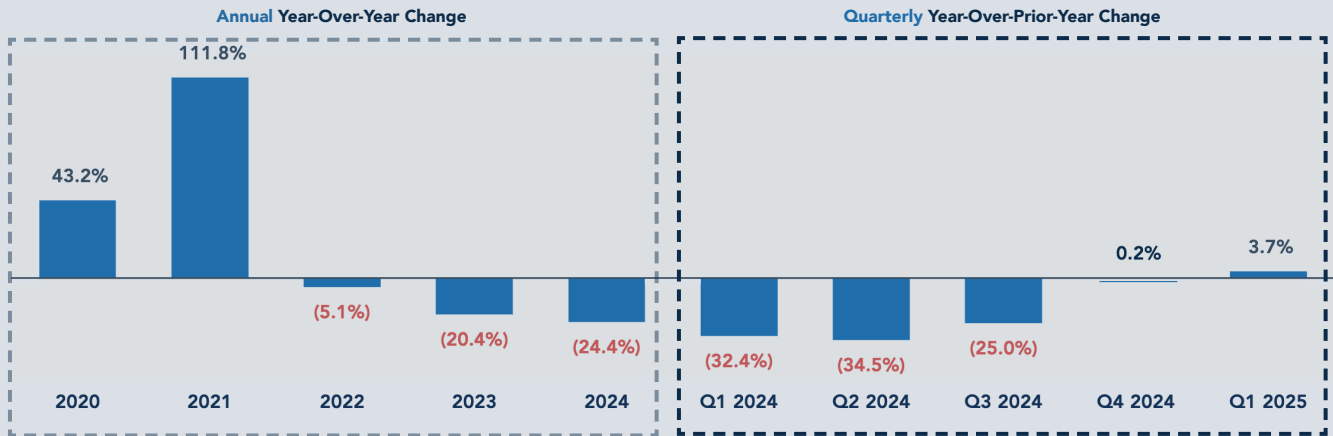


Average Dealership Per-Vehicle Profitability Metrics



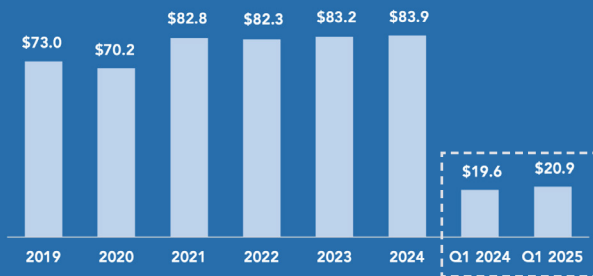
Source: Presidio-NCM Average Dealership Performance Benchmark

Average Change in Dealership Net Pretax Profit



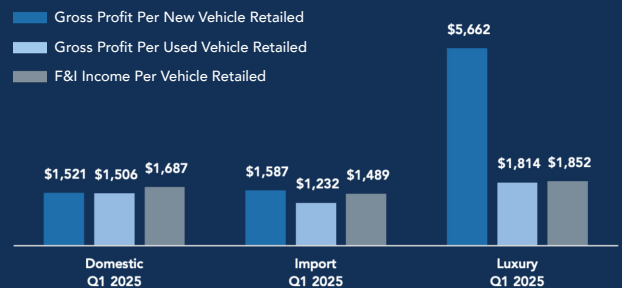
Source: Presidio-NCM Average Dealership Performance Benchmark

Average Dealership Revenues (\$ in millions)



Source: Presidio-NCM Average Dealership Performance Benchmark

Per-Vehicle Gross Profit by Brand Segment



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

per unit rose slightly, up 1.3% year-over-year to \$1,410 on average. Finance-and-insurance income rose 4.2% on a year-over-year basis to \$1,613 per vehicle, though it dipped slightly compared with the fourth quarter of 2024.

Fixed operations has emerged as a critical performance driver during this normalization period, and that continued and even strengthened in 2025's first quarter. Fixed-ops gross profit rose by nearly 6%. Notably, import-brand stores demonstrated the strongest performance in this area, achieving a gain of nearly 8%. This growth underscores the increasing importance of service and parts departments as a stabilizing revenue stream for dealerships navigating complex market conditions.

Personnel expenses continue to be a challenge given the inflationary pressure of the last few years alongside declining profitability, but some progress has been made. The average dealership recorded personnel expense of \$1.06 million in the first quarter of 2025. While that was a 2% increase compared with the year-earlier period, personnel expense as a percent of

gross profit improved from 38.4% to 38.1%. Dealers can further improve in this area by pursuing employee productivity gains, in part through the use of advanced retail technology tools.

More inventory and interest rates higher than during the pandemic meant dealership floorplan continued to be an expense rather than a gain during the quarter. Still, the average store's net floorplan interest expense improved slightly, from \$37,298 a year ago to \$34,446 for the first quarter of 2025.

In the long run, the first quarter of 2025 could stand out as a turning point that establishes a benchmark for the industry's new normal. But much uncertainty remains, largely driven by the dynamics around President Trump's tariff policy and how that will play out in the market. The changing tariff landscape reinforces that brands are more important than ever. Dealers who remain adaptable, focus on getting the optimal brands for their portfolios and successfully navigate the challenges of this evolving period will likely emerge as market leaders in the coming years.



The professionals at Presidio have completed nearly 290 transactions totaling ~\$19.0 Billion, all in the US auto retail sector.

Our mission is simple: relentlessly put our clients' interests first

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

KEY
PERFORMANCE
INDICATORS

2025 - US

FIXED OPERATIONS

KEY
PERFORMANCE
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2025 - US

VARIABLE OPERATIONS

Industry KPI Reports for Informed Dealership Decision-Making

Make the most of your fixed and variable operations metrics with our automotive KPI reports. Our comprehensive Benchmark data provides you with the necessary key performance indicators to measure against your operational data and make more informed decisions.

Fixed Operations: Key metrics for service departments, parts and accessories departments, and collision centers.

Variable Operations: Averages for sales and gross profit, controllable expenses, UV asset management, employee productivity, and e-commerce.

Scan to download the latest KPI reports for domestic, import, and luxury franchises.



Full Throttle Replay



The Presidio Group's Full Throttle podcast brings together industry leaders on a regular basis to discuss retail trends, innovation and thought-provoking business models. Jason Stein, Presidio's director of multimedia and events, interviews some of the industry's key personalities and insiders — from legendary dealers to up-and-coming entrepreneurs.

Tune in here to stay ahead of industry news and learn how some companies are thriving in the new automotive landscape: <https://thepresidiogroup.com/podcast/>

Here are edited excerpts of recent interviews:



Walser Automotive Group
CEO Paul Walser

PRESIDIO: You've gone through a process of expanding. Are you still of that mindset for the right opportunities?

PW: Yeah, I'm a believer that if you're not growing, you're kind of dying. It's more [about] being able to make a promise to team members that there are opportunities for them to live their dreams by ultimately being in whatever role they aspire to be. That promise is more important to me than trying to figure out how being bigger has cost efficiencies.

If you're in business, you've got to have an eye to growth in some manner, or you're going to be limited in terms of the number of high quality, talented players you're going to get on your team. Because they don't want to be somewhere where they can't advance. And it's fun to grow.

When profits went up materially during COVID, you're [applying] multiples to profits that were, in some cases, three and four times greater than normal. So the price of poker went up considerably. We didn't do any buying of stores during the COVID time. I just didn't feel like that was permanent and that you could rely on paying those multiples and get any kind of return on your investment. So we were quiet during that. But we're actively looking again as things have normalized. Hopefully we'll be able to land a few deals in the next year or two.



Tekion founder and
CEO Jay Vijayan

PRESIDIO: You've been on this journey long enough to understand the dealership management system business fully. You've made a lot of progress. What is the state of DMS today?

JV: The term dealer management system is so old. A dealer's business is end to end. You can't have a DMS that does accounting really well but is not the best in selling cars. Or not the best in servicing customers or engaging with customers. That's when all of these [other] solutions came about. The problem became exponential over the years: The DMS companies have not innovated much. I've heard from one of the largest dealer groups that they have 100 solutions to operate their dealerships, which is crazy. People work so hard to deliver the best experience for customers. But how can they when they [have to] log into nine, 10 different systems to sell a car? We've created some healthy competition for others to build something useful, valuable. From our side, we have really brought that vision to life: one tech stack for the core business. We've also created a partner cloud — at our customer's choice, they can integrate with any partner.

We've come a long way, and we are still open and integrating with other partners of choice who are aligned with that goal of delivering best customer experience and the best operational efficiency for our dealers.



To suggest a guest:
Email Jason Stein
jstein@thepresidiogroup.com

To tune into Full Throttle:



A PRESIDIO PODCAST FULLTHROTTLE

The meeting point for automotive retail and technology

HEAR FROM THE INDUSTRY'S BEST ON THE INDUSTRY'S BEST PODCAST

Presidio's Full Throttle Podcast, hosted by Presidio Managing Director Jason Stein, brings together industry leaders to discuss retail trends, innovation and thought-provoking business models.

OUR MOST RECENT EPISODES FEATURE:



Kevin Tynan
The Presidio
Group



Bernie Moreno
U.S. Senator
(R-Ohio)



Mike Stanton
National Automobile
Dealers Association



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Go

OTHER NOTABLE GUESTS:



Mike Maroone
Maroone
USA



Daryl Kenningham
Group 1
Automotive



Damian Mills
Mills
Automotive Group



David Hult
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Mack McLarty
McLarty
Associates



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Liza Borches
Carter Myers
Automotive



Rob Cochran
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Automotive



ThePresidioGroup.com/Podcast



M&A UPDATE/PRESIDIO VALUATION INDEX

The Presidio Group’s dealership valuation expertise and insights on the latest trends in mergers and acquisitions are informed, in part, by our work with many of the country’s biggest and most influential dealership groups. These relationships give us an insider’s view of how experienced and sophisticated operators value deals in the real world. Our analysis includes:

Overall Market Update | Presidio Valuation Index | Presidio’s Valuation Matrix Spotlight

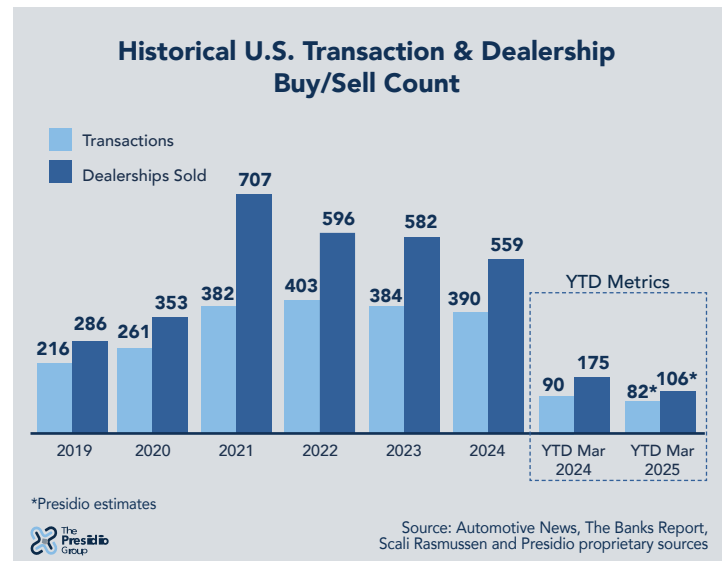
Overall Market Update

While the overall outlook for dealership transactions remains strong, the pace of buy-sell deals slowed during the first quarter of 2025. Presidio estimates first-quarter totals will hit 82 transactions involving 106 stores once all deals are reported, down from 90 transactions involving 175 dealerships recorded for the first quarter of 2024.

Presidio also updated its transaction tally for full-year 2024 to 390 deals involving 559 stores. As some 2024 deals are still being reported, that could increase. As it stands, it’s higher than the 2024 estimate Presidio shared three months ago and similar to the final tally for 2023, when 384 transactions involving 582 stores were recorded.

The first-quarter slowdown is likely related to hesitation in dealmaking late last summer and fall, in part influenced by uncertainty around the regulatory and business environment ahead of the presidential election. With many deals afoot throughout the industry, transaction pace should pick up for the rest of 2025; Presidio’s own pipeline is robust, with deal closings expected to accelerate this summer and fall.

Though many dealers reported a positive outlook right after Donald Trump won the election, new uncertainties have emerged because of the administration’s changing tariff policies. That said, the environment for transactions in 2025

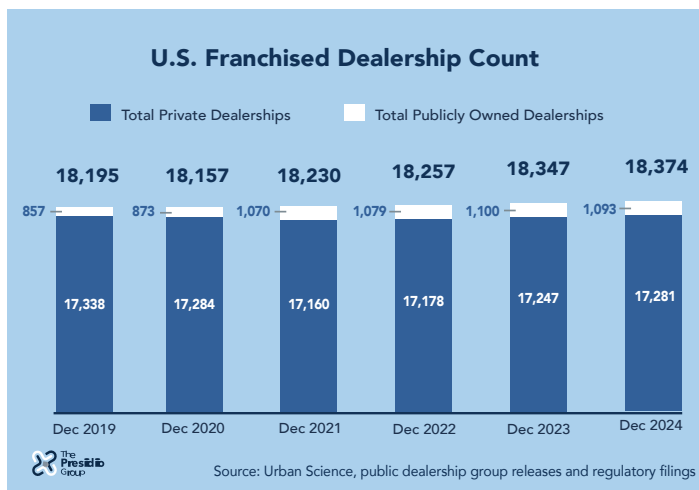


still looks robust, with both buyers and sellers maintaining significant interest. Tariffs make brand consideration even more critical — dealers could shift their approach on buying stores representing certain brands based on where their new-vehicle inventory for the U.S. market is being sourced.

“Most dealers we speak with are looking past tariffs as just another hurdle in a long history of navigating market risks and opportunities,” said George Karolis, president of The Presidio Group. “It could even present opportunity as many view the announced policy as a negotiating ploy that could lead to stable ground in the long term and potentially energize the market in the near term. The underlying health of the industry is evident with more buyers than sellers in the market, and we see positive momentum in our pipeline.”

The M&A environment continues to support consolidation, as reinforced by a blockbuster deal announced in February. Asbury Automotive Group agreed to buy 33 stores from the Herb Chambers Co. based in suburban Boston. The megadeal, expected to close in late spring, underscores the keen interest major retailers have in building their footprints.

Public retailers have reiterated their interest in strategic acquisitions. Lithia Motors, for instance, bought Subaru



stores with combined annual revenue of \$180 million. And Lithia leaders made clear in April that their sights are still set on making meaningful deals.

Lithia CEO Bryan DeBoer said that the dealership group still targets acquiring \$2 billion to \$4 billion in revenue annually — but 2025's tally likely will be closer to \$2 billion. While noting no big impact on M&A from tariffs, DeBoer said the transaction landscape had softened in the last few months.

Still, DeBoer remains optimistic about future opportunities.

"We operate within one of the largest and least consolidated industries. Our ability to be the most competitive acquirer and an efficient operator is a core strategic advantage, one that positions us to grow profitably," he said. "...We're still looking for that more major meaningful acquisition at some point in our lives and believe that the industry can be consolidated and one plus one can truly equal three."

Public group execs also are mindful about balancing M&A with share repurchases. Group 1 Automotive CEO Daryl Kenningham said Group 1 last quarter acquired stores representing \$100 million in annual revenue even as it bought back 2% of the company's stock for \$122.8 million.

"We will continue to be acquisitive," Kenningham said, "but we are also being very measured in valuing acquisitions, engaging only in deals that we feel provide long-term value for Group 1 shareholders."

Sonic Automotive President Jeff Dyke said tariff changes haven't made a "huge difference" and that Sonic has a lot of M&A discussions going on.

"Certainly, it's come up," Dyke said. "If anything, maybe we're buying a little bit of time just to see what happens over the next 90 days before we finalize some transactions."

While some dealers are adopting a wait-and-watch approach due to tariff uncertainties, the fundamental drivers of consolidation remain strong. Brand selection and geographic strategy are emerging as critical differentiators.

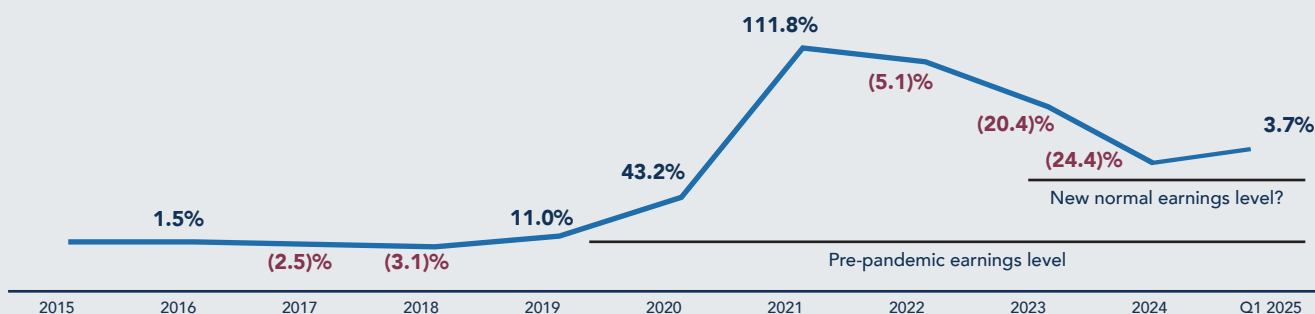
"Despite the tariff environment, most dealers are adapting and taking a long-term approach that includes growth through acquisitions," Karolis said. "The appetite for well-positioned acquisitions remains robust. We expect that acquisitive dealers will have plenty of opportunity to add to their portfolios through the remainder of 2025, driving further consolidation in the industry."



"We're still looking for that more major meaningful acquisition at some point in our lives."

— Bryan DeBoer, Lithia Motors CEO

Average Year-Over-Year Change in Dealership Net Pretax Profit



Source: Presidio-NCM Average Dealership Performance Benchmark

The Presidio-NCM Average Dealership Performance Benchmark improved in the first quarter of 2025, with the average store's pre-tax profit level increasing 3.7%. Could 2025 be the first year of profit gains after three straight years of declines? Does the first quarter uptick in earnings indicate a new normal for dealership profitability? Stay tuned as dealers work to capture the opportunities and overcome the challenges of a rapidly evolving tariff landscape.

The Presidio Valuation Index

When valuing a dealership, it’s all about expected normalized future earnings, which typically influence 80% of the equation for most mainstream brands. Presidio considers this when determining both blue-sky earnings multiples and our brand revenue multipliers, which are based on earnings as a percentage of dealership revenue. Multiples have not changed much the past two decades, while dealership earnings have grown and also varied dramatically. Predicting sustainable earnings is the more volatile part of the calculation, particularly in recent years when dealership profitability has been erratic and seeking its new normal.

Average dealership profitability dropped about 20% in 2023 and by more than 24% in 2024 before rebounding 3.7% during the first quarter of 2025. Sustainability of earnings varies significantly by brand and often geography. We estimate that net profit as a percentage of sales ranges across brand segments as follows:

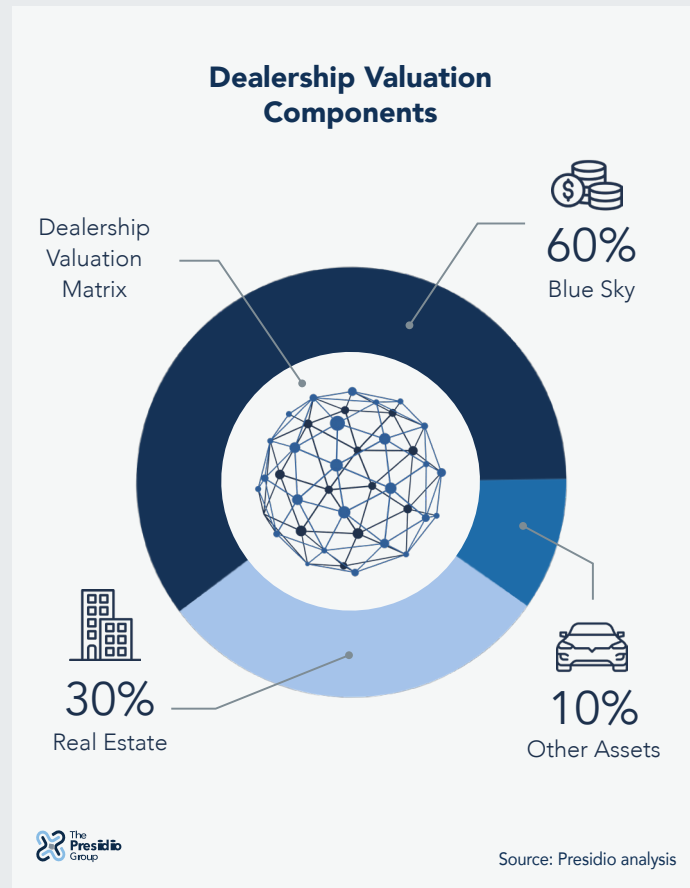
Luxury brands: 4-7% | Top-tier import brands: 3-5% | Domestic/Other value brands: 1-3%

Revenue multipliers help eliminate volatility associated with changes in dealership earnings and can be seen on the Presidio Valuation Index page that follows. Revenue multipliers remain a great barometer for estimating initial dealership valuation as they help neutralize earnings volatility and associated unknowns.

Dealership Valuation Overview and Methodology

The Presidio team believes every dealership is unique and that the industrywide standard of applying a blue-sky multiple to earnings to determine value is inadequate. Solely focusing on blue sky ignores about 40 percent of the total investment represented by real estate and other assets. The symbiotic relationship among these components correlates to a dealership’s total cash flow and, ultimately, return on investment.

Presidio has created an index that includes three pillars of valuation — blue-sky earnings multiples, a multiplier based on a percentage of dealership revenue and a return on investment calculation — and uses other key factors such as a brand’s network size to help stakeholders triangulate an estimated value of a dealership. Presidio will evaluate each brand’s status with regard to the three pillars twice a year and then revise multiples or other factors as needed. While we believe our approach can help triangulate value, it’s important to note that our guide is still simply a guide. Anyone looking to sell or buy dealerships should consider using experts to conduct a deeper evaluation to determine value. For more information on Presidio’s valuation methodology, go here: <http://thepresidiogroup.com/valuationmethodology>



The Presidio Valuation Index

The Presidio Valuation Index uses three pillars of valuation to help estimate dealership value by brand. We adjust brand-level guidelines twice a year, after the second and fourth quarters. While we haven't adjusted blue-sky multiples this cycle, we are watching several import brands, including luxury makes, that could be most affected by tariffs. As we await more clarity about the situation, we note positive momentum for Mercedes-Benz and will watch its recently announced leadership transition closely. Ford's manufacturing footprint and current promotions also set it up well. These and several other brands could receive adjustments to multiple guidelines in our second-quarter report.

Presidio Valuation Pillars →		Blue Sky as % of Revenue Range	Blue-Sky Multiple Range	Average Estimated ROI	Dealership Count on Jan. 1, 2025	New-Vehicle Volume/Dealership
	Porsche	52% - 67%	9.0 - 10.0	<10%	202	381
	Lexus	48% - 62%	9.0 - 10.0	↑	244	1,417
	BMW	43% - 52%	7.75 - 9.0		350	1,061
	Mercedes	41% - 50%	7.75 - 9.0		384	975
	Toyota	38% - 48%	7.5 - 9.0		1,237	1,607
	Land Rover	31% - 40%	6.25 - 7.75		202	528
	Subaru	29% - 33%	6.25 - 7.25		641	1,042
	Honda	25% - 38%	6.0 - 7.25		1,070	1,207
	Audi	29% - 38%	6.0 - 7.0		307	643
	Kia	14% - 24%	4.5 - 5.5		795	1,006
	Hyundai	14% - 24%	4.0 - 5.0		15%	852
	Chevrolet	13% - 19%	3.75 - 4.75	↓	2,886	598
	Ford	13% - 19%	3.75 - 4.75		2,839	682
	Volvo	12% - 17%	3.5 - 4.5		281	444
	Mazda	11% - 16%	3.5 - 4.5		541	783
	Cadillac	11% - 16%	3.25 - 4.25		567	282
	Buick-GMC	10% - 14%	3.25 - 4.25		1,659	553
	Volkswagen	10% - 14%	3.0 - 4.0		633	596
	Acura	10% - 14%	3.0 - 4.0		274	485
	CDJR	4% - 10%	2.5 - 3.5		2,398	563
	Nissan	4% - 10%	2.5 - 3.5		1,069	806
	Infiniti	4% - 10%	2.0 - 3.0	20%	197	292

1) Dealership count represents Chrysler outlets

2) Dealership count represents GMC outlets

Source: Presidio proprietary data/analysis, Automotive News Dealer Census, Wards Intelligence

Presidio's Valuation Matrix Spotlight

A quarterly deep-dive into one of the factors driving dealership value

Brand

Alongside earnings, brand is the most important factor in determining a dealership's value

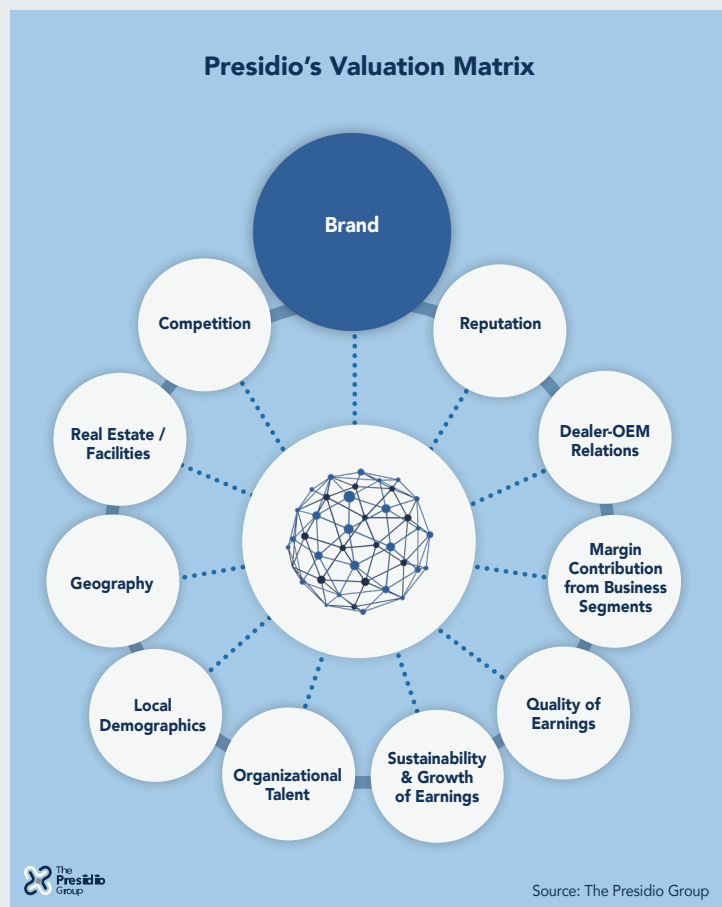
When it comes to valuing a dealership, the top factor influencing its worth is undoubtedly brand. The reputation of a brand, the strength of its product portfolio and pipeline, the size of its dealer network and its average new-vehicle sales per dealership all contribute to the earnings multiple that determines a dealership's blue-sky value. While multiples haven't changed a lot for individual brands during the past 20 years, the range of multiples across brands varies dramatically — from as low as 2x a store's annual pretax earnings to as high as 10x.

Some brands are now so desirable that they are reshaping geographic investment strategies. Dealers who once focused exclusively on their local markets, or perhaps where they had second homes, are in some instances now saying they are willing to buy dealerships representing certain top brands anywhere in the country. This represents a fundamental change in dealers' acquisition philosophy.

"In today's automotive retail market, brand is everything," said George Karolis, president of The Presidio Group. "A great brand can increase a store's value by several multiple points, which is transformative when applied to a dealership's sustainable earnings level. We're seeing a remarkable shift where top-tier brands like Toyota and Lexus are so sought after that dealers are now willing to buy stores across the country, far from their traditional markets, simply because the brand is that compelling."

While that sentiment seems to be strongest about Toyota and Lexus, a few other premium brands are similarly sought after regardless of location. Porsche, with its relatively small dealership network, often is a target of that "I'll buy it anywhere" pursuit. Mercedes-Benz and BMW stores also warrant brand-driven rather than location-driven investment strategies.

The current valuation landscape reveals a precise



stratification of automotive brands. Domestic-brand outlets typically trade between 2.5-5x earnings, while import brands range from 4-7x and luxury marques command premium multiples of 6-10x. These bands are not fixed, however.

Individual brands can command higher multiples than typical for their peer group through strategic execution and market performance.

Conversely, brands can experience their earnings and multiples faltering when sales, product competitiveness and profitability turn downward. Nissan and Stellantis' Chrysler-Jeep-Dodge-Ram brands are recent examples of that. When a brand's multiple dips, dealers can see their store values dramatically reduced as they become less attractive to potential buyers.

Volatility also can arise when challenging relationships between dealers and automakers significantly impact brand desirability and dealership values. When automakers adopt overly aggressive or restrictive approaches toward their retailers, they risk damaging dealer relationships, potentially compressing brand attractiveness and undermining the long-term value of their franchise network. Hyundai is one such potential case. Recent challenges in the brand's relationships have pressured Hyundai's market desirability among some buyers.

Given that brand perceptions can change, dealers and investors must remain vigilant and mindful that today's strong brand can become tomorrow's struggling franchise. The reverse can happen, too.

Large dealers often strive to develop a portfolio that strategically balances top-tier imports, high-volume domestic brands and strong luxury franchises. This approach allows dealers to diversify their holdings and mitigate risk while positioning themselves to capture value across different market segments. The most sophisticated investors are looking beyond current financial performance, focusing instead on brands with compelling product roadmaps, technological innovation and long-term growth potential.

Savvy investors also are wise to consider the long-term options for brands with current challenges given that sleeper opportunities present particularly intriguing

investment narratives.

"The most valuable opportunities in automotive retail aren't always where everyone is looking. Instead, they may be where few are paying attention," Karolis said. "Smart dealers understand that today's overlooked brand could be tomorrow's desired franchise — it's about seeing potential beyond current performance and having the courage to invest when others are hesitant."

Consider the brand transformations of the past decade: Subaru has evolved from a niche player to a highly sought-after franchise. Likewise, Mazda has steadily improved its market perception and value.

"Ten years ago, would you have even thought about buying Subaru? If you did, you were brilliant," Karolis said.

In the realm of potential sleeper opportunities, Acura and GMC-Buick dealerships represent intriguing investment prospects for today's contrarian dealers. Despite Acura's current struggles with limited product offerings, its connection to Honda provides a strong foundation for revival, making it an attractive option for forward-looking investors. GMC's robust truck and SUV lineup, particularly the Sierra and Yukon models, are top-notch products in their segments. However, Acura and Buick-GMC stores are often overlooked, creating an opportunity for strategic dealers to place their bets on the brands' underlying strengths and future product potential and acquire outlets at potentially attractive valuations.

The investment landscape rewards dealers who understand these nuances of brand dynamics. Diversification remains key, but the definition of diversification is evolving. It's no longer about simply owning multiple franchises but about strategically selecting brands with strong future potential.

Bottom line: The market is evolving rapidly. Changing consumer preferences, evolving automaker product portfolios and global economic shifts will continue to reshape brand value. Dealers who are adaptable, strategic and forward-thinking around brands will be best positioned to realize value from their investments in this dynamic market.



DEALER DIRECTION SURVEY/ BRAND DESIRABILITY RANKING

The Presidio Year-End 2024 Dealer Direction Survey revealed a more stable and optimistic outlook among auto dealers heading into 2025.

Survey results corresponded with trends seen in the Presidio-NCM Average Dealership Performance Benchmark and through private discussions with dealers across the U.S. Normalization of profits from pandemic highs could be approaching a tail end.

Presidio's survey is conducted twice a year to gauge perspectives on profitability, valuations and the buy-sell market. The most recent query was fielded from Nov. 15 to Dec. 31 and aggregated responses from 175 dealers and top executives representing nearly 3,000 franchised stores. We asked survey takers about the current and future operating environment, and they rated the most desirable brands to represent.

A key finding was significant improvement in dealer sentiment regarding profitability. Approximately 65% of dealers expected profitability to either remain the same or improve in 2025, a substantial increase from the 37% who held this view in the midyear 2024 survey. This optimism also extended to their three-year outlook, which was more favorable than their current 12-month and previous three-year projections.

Dealers' views on valuations shifted positively. Nearly two-thirds anticipated valuations would stay the same or improve over the subsequent year, up from less than half in the summer. That improved outlook applied to three-year expectations, too.

Dealers expected parts and service to be their biggest profit driver in 2025, with 85% of respondents selecting that option. They could choose up to three factors expected to drive results. Productivity and technology-driven efficiency gains were the second most popular driver, selected by 69%; used vehicles came in third, selected by 45%.

Dealers were asked to rate the most desirable brands to represent, and Toyota and Lexus once again topped the resulting ranking. Subaru jumped to the No. 3 spot on the list, followed by Honda, Porsche, BMW and Mercedes-Benz. These brands made up Presidio's "Magnificent Seven" — the highly sought-after makes that have topped our ranking across four surveys in the past two years.

For more details on Presidio's year-end survey, see our fourth quarter report here: <https://thepresidiogroup.com/Presidio-Year-End-2024-Dealer-Direction-Survey>

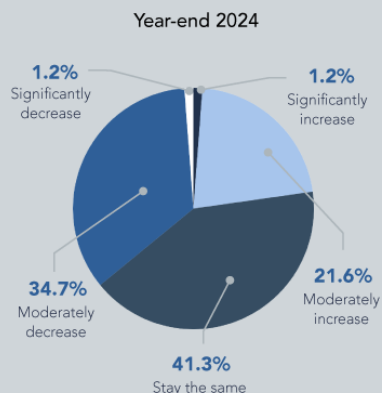
Brand Ranking

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

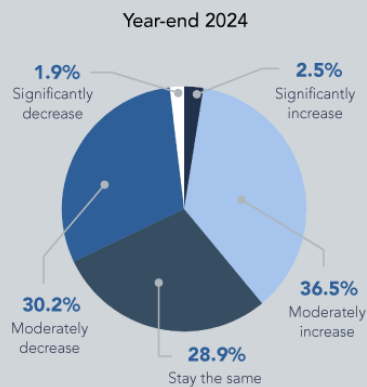
	Toyota	9.27
	Lexus	9.00
	Subaru	8.13
	Honda	8.12
	Porsche	7.93
	BMW	7.65
	Mercedes-Benz	7.58
	Kia	6.75
	Hyundai	6.32
	Chevrolet	5.75
	Audi	5.73
	Ford	5.55
	Mazda	5.10
	Jaguar-Land Rover	4.64
	Genesis	4.61
	Buick-GMC	4.37
	Ultraluxury	4.14
	Volkswagen	4.08
	Cadillac	3.69
	Acura	3.66
	Volvo	3.27
	Lincoln	2.17
	Nissan	2.90
	CDJR	2.76
	Infiniti	2.34

How do you think dealership values will trend?

Over the next 12 months



Over the next 3 years



Source: Presidio Year End 2024 Dealer Direction Survey



Source: Presidio Year-End 2024 Dealer Direction Survey

Presidio out and about

The Presidio team has had a busy spring so far. Firm leaders met with dealers, media and tech company executives in April during the New York International Auto Show. Presidio's George Karolis and Jason Stein took center stage at the Automotive Forum New York hosted by J.D. Power and the National Automobile Dealers Association. And Presidio Director of Research Kevin Tynan shared insight at dealer association events and in Presidio's new Drive-In LIVE series.



Welcome to the **Drive-in LIVE Series**
Learn. Engage. Evolve.

Stein (left) and Kevin Tynan, Presidio's director of research, hosted the firm's Drive-In series with an update on first quarter dealership profitability.




Tynan and Stein dive into the Q1 2025 Presidio-NCM Average Dealership Performance Benchmark Data on set at Drive-In LIVE.



Presidio-NCM Average Dealership Performance Benchmark Data Q125	
Revenue	Net profit (before tax)
\$20.9M ↑16.8%	\$3.7M ↑3.7%
New vehicles retailed	Gross profit per new vehicle retailed
218 ↑9.8%	\$2,005 \$20.6M
Used vehicles retailed	Gross profit per used vehicle retailed
183 ↑0.9%	\$1,410 ↑1.3%
FBI losses per retail unit	Fixed-ops gross profit growth YOY
\$1,613	25.6%

Presidio Transaction Highlights


For more than 25 years, Presidio has assisted clients with everything from single-store deals to some of the largest multi-store transactions in the history of U.S. auto retail. Here are some of our notable recent transactions:



acquired by

acquired by





acquired by






acquired by





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acquired by




AUTO TECH SERVICES TRANSACTIONS




served as the exclusive financial advisor to




SAFE Financing




served as the exclusive financial advisor to



\$30 Million Series C Financing



served as the exclusive financial advisor to



\$19.7 Million Series A Financing



served as the exclusive financial advisor to



\$4 Million Series A Financing



PUBLIC DEALERSHIP GROUP TRENDS

The six publicly traded dealership groups delivered the first year-over-year increase in their collective adjusted pretax profit since the third quarter of 2022 through a combination of acquisition growth and tariff-induced demand. That 3% gain to \$1.2 billion for the peer group is striking when compared with pre-pandemic results: Adjusted pretax profit for publics collectively in the recent quarter was 1.7x the peer group's profit level for the first quarter of 2019.

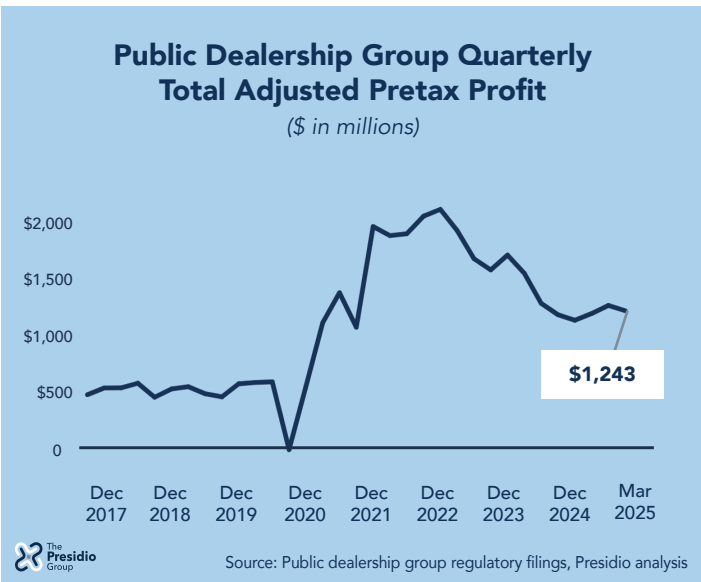
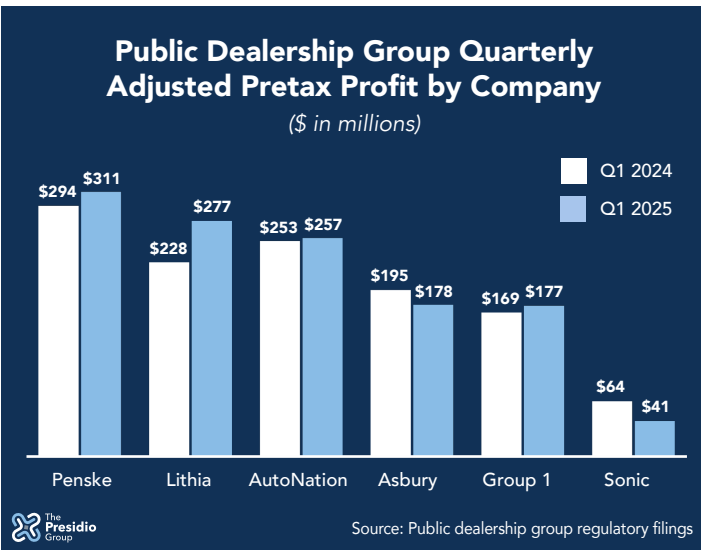
Four of the six public groups saw gains in adjusted pretax profit for the quarter. And while March's tenuous demand lift was welcome, dealers are already leaning on other business units to diversify revenue from new-vehicle deliveries.

Total parts-and-service revenue in the first quarter increased

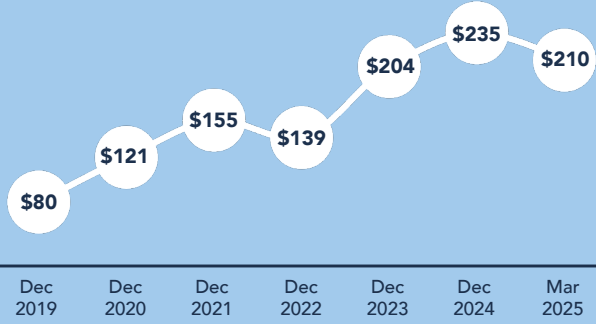
5.4%, while total parts-and-service gross profit rose 11.9%. Parts-and-service gross margin grew 311 basis points to 53.8%. With U.S. vehicle miles traveled near a record high, consumers are prioritizing repair and maintenance spending. The dynamics led to the publics' fixed operations units posting their highest collective gross margin since at least 2010, helping offset new-vehicle revenue uncertainty in the face of changing tariffs.

The publics' new-vehicle volume rose 8.5% in the quarter, adding 144 basis points to new-vehicle revenue mix. New-vehicle revenue made up 49.2% of total revenue for the peer group, but that low-margin business line contributed only 20% of overall gross profit. Parts-and-service revenue represented only 13.4% of total revenue, while that unit's share of gross profit grew by more than seven percentage points to 44.2%, making it the largest gross profit contributor of all dealership business units.

New-vehicle gross margin dipped 50 basis points to 6.6%. Strong March volume and firmer pricing as consumers tried to beat tariff inflation likely limited that drop. Over the rest of 2025, the tariff environment could cause extended supply constraint; however, as seen during the pandemic, low new-vehicle supply could again provide a season of higher margins and profits for auto manufacturers and dealers.

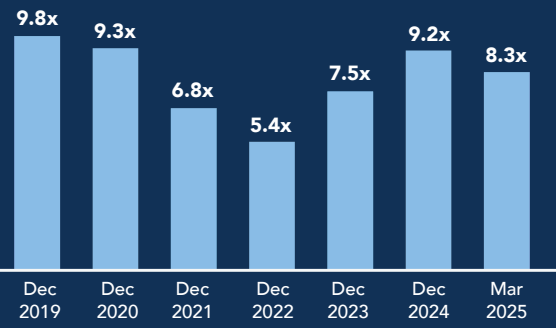


Average Public Dealership Group Stock Price



Source: Yahoo Finance, NYSE

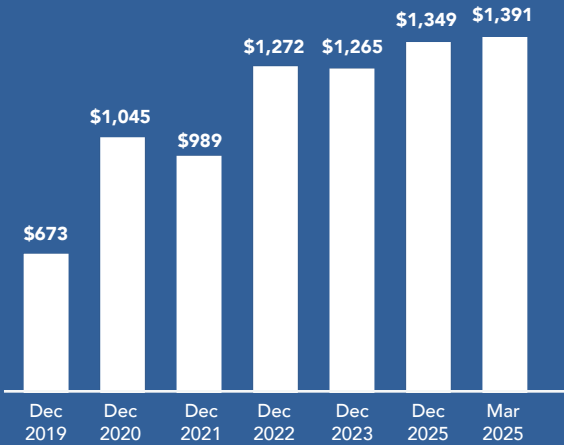
Average Public Dealership Group EV/Adjusted EBITDA Multiple



Source: Public dealership group regulatory filings, Yahoo Finance, Presidio analysis

Average Public Dealership Group Liquidity Level

(\$ in millions)

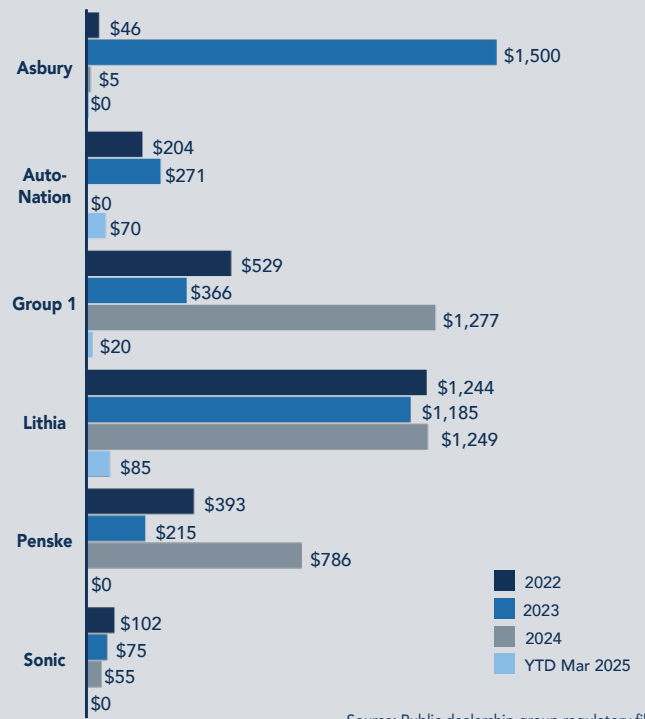


† Penske's figures include its cash totals and U.S.-only credit agreement



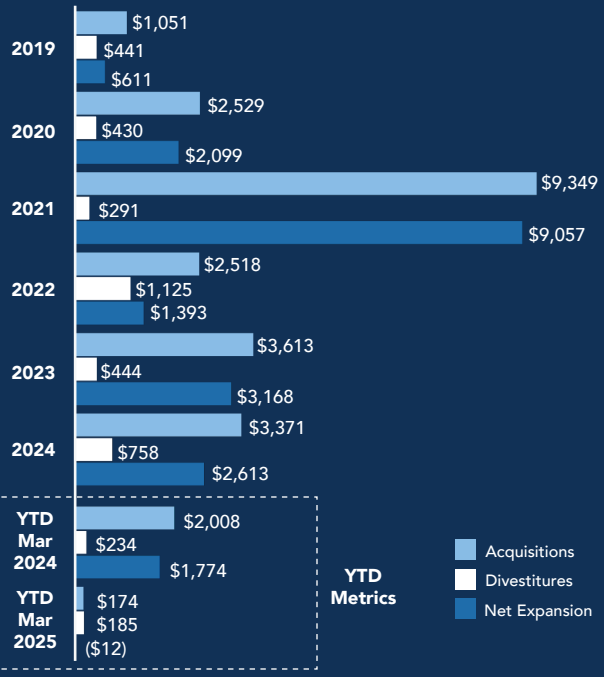
Source: Public dealership group regulatory filings

Public Dealership Group Acquisition Spending by Company (\$ in millions)



Source: Public dealership group regulatory filings (Asbury, AutoNation, Group 1, Lithia, Penske, Sonic)

Public Dealership Group Acquisition & Divestiture Totals (\$ in millions)



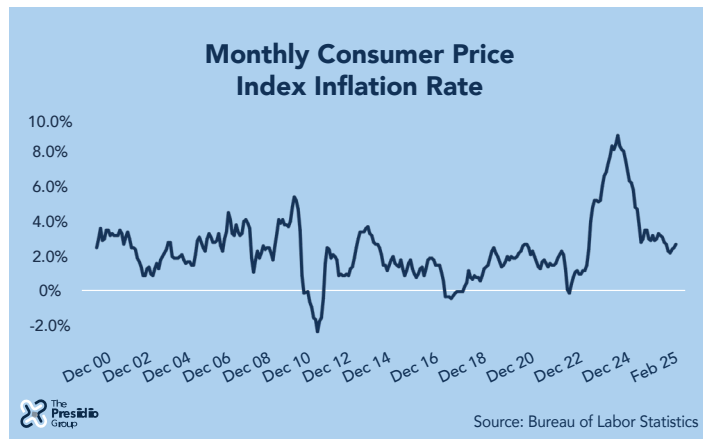
Source: Public dealership group regulatory filings (Asbury, AutoNation, Group 1, Lithia, Penske, Sonic)



Inflationary tariff pressure could squeeze volume

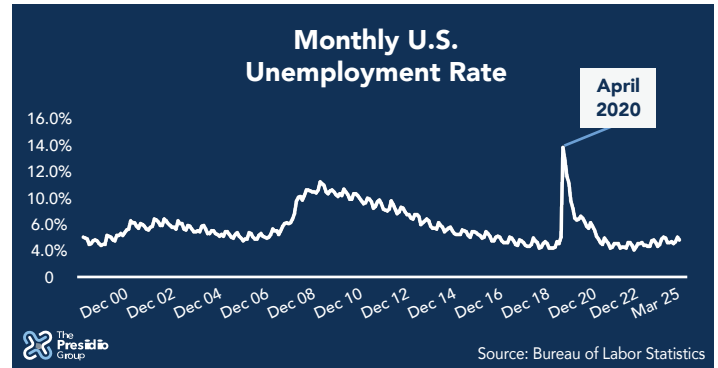
The near-term macroeconomic outlook faces uncertainty regarding the scope, scale and permanence of new tariffs. Almost every industry faces inflationary conditions whether higher costs are passed along to consumers or output is limited. Manufacturers need significant lead time to realign supply chains to produce more goods domestically. The economic reality is that the next few quarters of 2025 could look very different from recent periods.

Current economic data does not yet reflect changing tariff policy. For instance, consumer prices don't hint at the inflationary pressures lurking. Through February, the Consumer Price Index reading was a tepid 2.8%, far from its June 2022 spike of 9.1% and closer to its level during the pre-pandemic period of 2017-19.

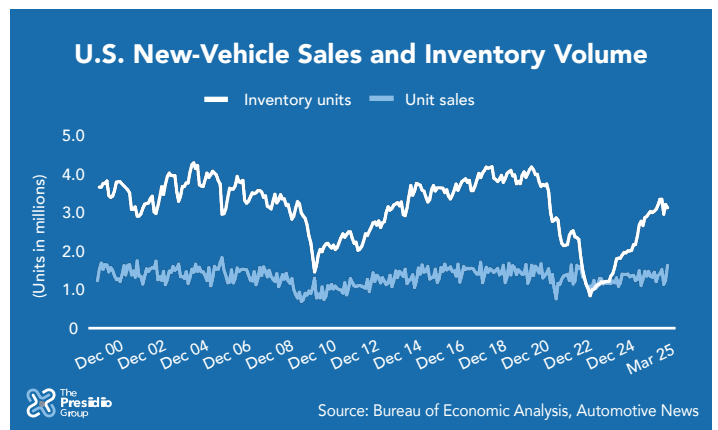


A critical component of the U.S. macroeconomic landscape in 2025 will be how resilient consumers are to higher prices on many goods and services. Unemployment ticked lower to 4.2% in March, the metric's first dip in 2025. Unemployment remains low enough to dissuade the Federal Reserve from cutting interest rates. And with higher tariffs intended to encourage more investment in U.S. manufacturing, it reasons that low unemployment will persist over the near term.

U.S. consumers already have faced much inflationary pressure in the new-vehicle market in recent years. Prices soared when inventory sold down from 4 million-plus units in 2019 to fewer than 1 million in late 2021. Despite constrained supply, new-vehicle sales volume remained



reasonably stable at between 1 million and 1.5 million vehicles monthly, varying only 942,000 units from peak to trough during the period of January 2019 through March 2025. By contrast, the peak-to-trough variance for U.S. inventory during that period was 3.4 million units. While a tight supply and demand balance may push some new-vehicle buyers to the sidelines, firmer pricing expands margins for dealers, as evidenced by their most profitable period in history in 2021 and 2022 when new-vehicle inventory was at its lowest.



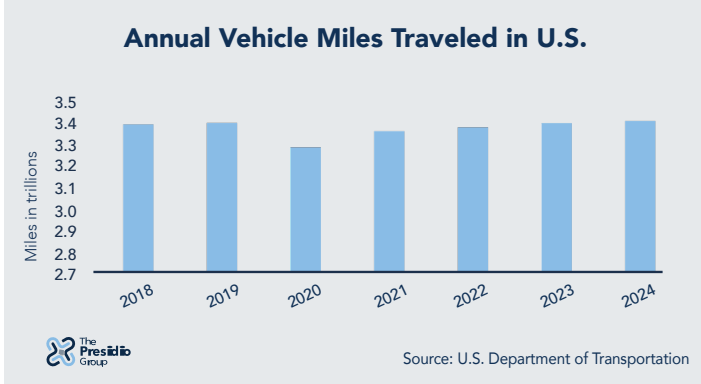
As tariffs potentially bring supply and demand into tighter balance and firm up transaction prices closer to MSRP, some demand will be at risk. Consumers are more financially tentative than during the pandemic when isolation and remote work diverted their commuting and lowered their total vehicle ownership cost and other expenses, enabling them to buy more goods and pay more for them.

The new 30-plus day delinquency rate for U.S. auto loans

was 8.1% in the fourth quarter of 2024, compared with 6.9% in the fourth quarter of 2019, the quarter immediately preceding the pandemic. Back then, new delinquencies dropped as forced isolation and remote work during the onset of COVID-19 raised households' threshold for discretionary spending. By the second quarter of 2021, new 30-plus-day delinquencies fell to 5.1% and did not rise back above 2019 levels until the second quarter of 2023.

The higher starting point for auto loan delinquencies in 2025 may be an early indication that the U.S. consumer is coming under economic pressure.

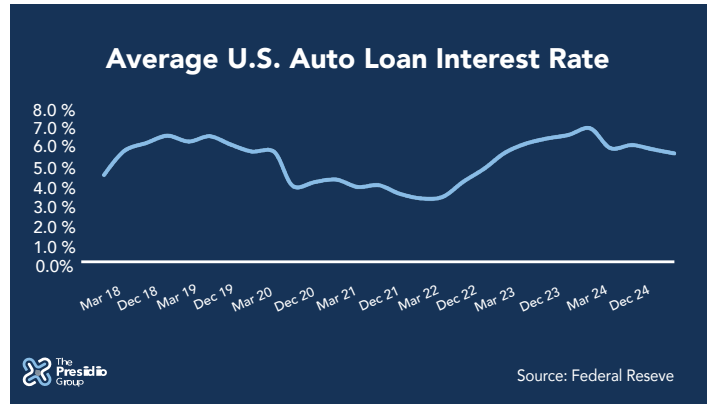
U.S. vehicle miles traveled have recovered from 2020's low



to surpass the previous 3.26-trillion-mile peak of 2019.

With more miles driven, consumers have shouldered more vehicle repair, maintenance and insurance costs. That, along with inflation in parts and service work, has made the total cost of vehicle ownership in 2025 more burdensome for consumers. That's on top of higher loan payments — the average amount financed per auto loan was \$39,979 in 2024's fourth quarter, compared with \$31,692 in 2019's fourth

quarter. Interest rates on new auto loans also are elevated in 2025 compared with 2020 when interest rates dropped off quickly. And today's interest rate environment has less downside potential given the inflationary influence of tariffs.



Tariffs do have the potential to constrain new-vehicle imports in the near term and gradually tighten the supply-demand balance. On the plus side, that's likely to boost revenue and profit contribution for U.S. franchised dealers. But while the coronavirus pandemic drove dealership earnings higher, hitting a record in 2022, today's conditions aren't the same.

In 2025, total vehicle ownership costs are higher, vehicle prices continue to rise and macroeconomic conditions show no signs of influencing the Federal Reserve to cut interest rates soon. Microeconomic challenges for U.S. consumers might become the highest hurdle for automakers and dealers to clear in order to maintain sales volume throughout 2025. Consequently, The Presidio Group has reduced its volume estimate for the year. Instead of the 16.2 million new-vehicle sales we projected for 2025 back in February, we are now calling for likely U.S. sales of 15.4 million cars and trucks in the U.S. this year.

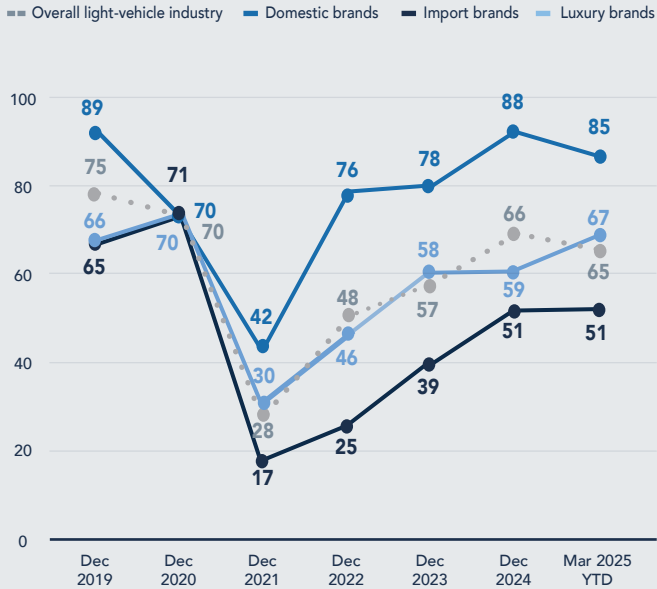
What We Do

The Presidio Group is an independent merchant banking firm focused on mergers and acquisitions, capital raising, and investments in the automotive retail and consumer mobility sectors. Our team has an exceptional breadth and depth of experience in the auto retail and technologies sectors as well as deep relationships in the broader corporate and financial communities. Our mission is to relentlessly put our clients' needs first.



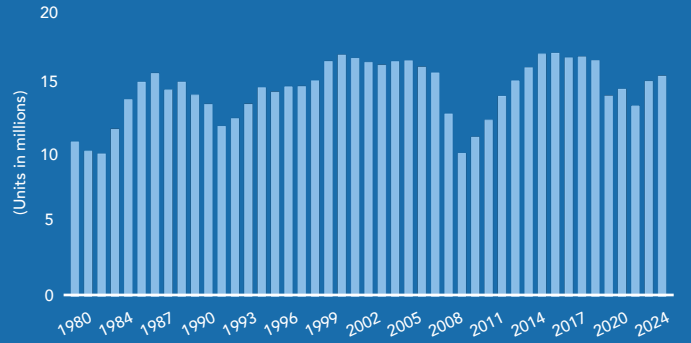
Presidio Data Library

New Vehicle Days' Supply by Brand Category



Source: Wards Intelligence, Presidio analysis

Historical Annual New U.S. Light-Vehicle Sales



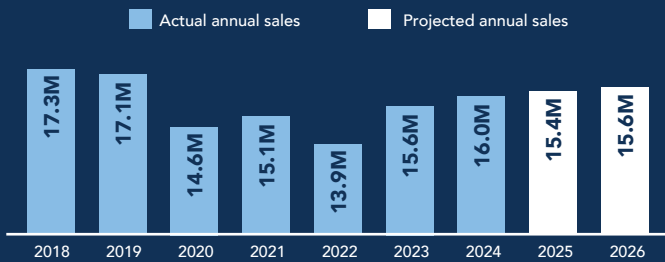
Source: Bureau of Economic Analysis

Average Per-Vehicle Dealership Discount from MSRP



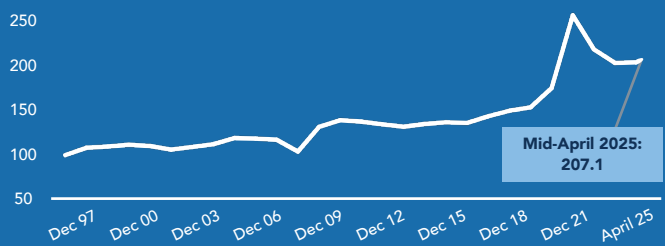
Source: Edmunds.com, Presidio analysis

Annual New U.S. Light-Vehicle Unit Sales, Actual and Projected



Source: Automotive News, Presidio analysis

Manheim Used Vehicle Value Index



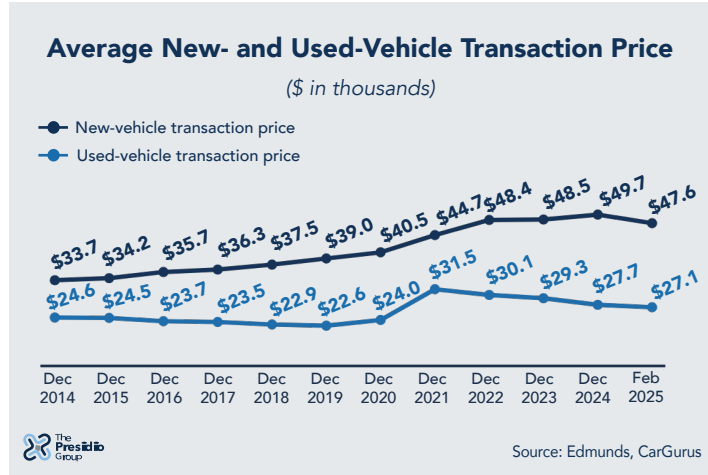
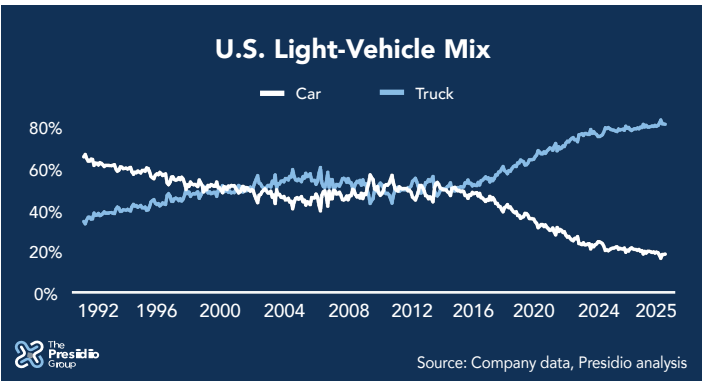
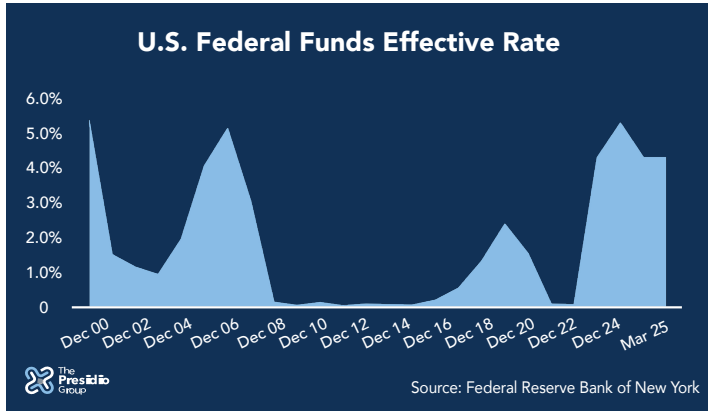
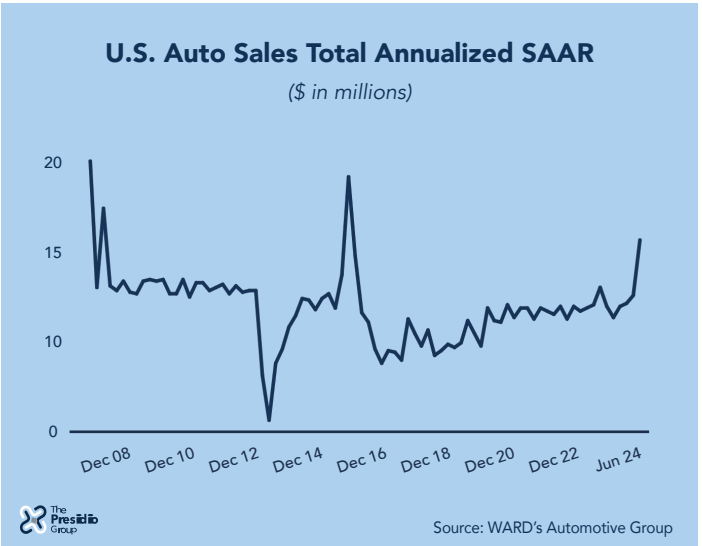
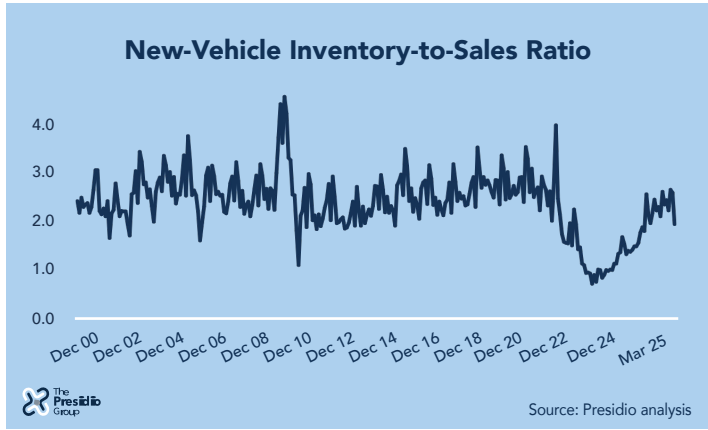
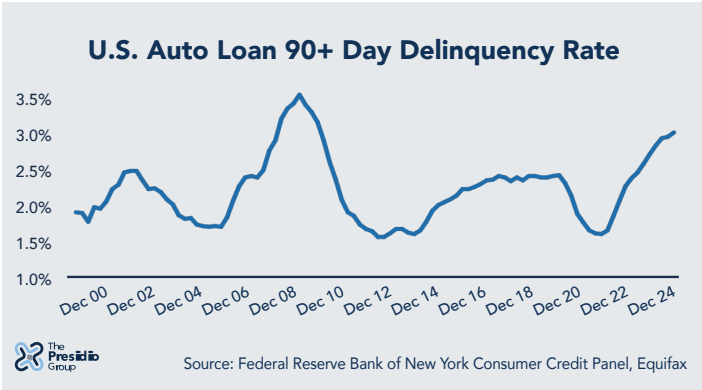
Source: Cox Automotive

Total U.S. Auto Loan Balance

(\$ in trillions)



Source: Federal Reserve Bank of New York Consumer Credit Panel, Equifax



The Automotive Industry is Evolving More Rapidly than Any Time In Its History

The professionals at The Presidio Group are here to help our clients navigate through these times.



AI's potential to transform auto retail is powerful

Artificial intelligence is no longer a futuristic concept in auto retailing — it's a present-day game-changer poised to reshape how dealerships interact with customers and drive operational effectiveness.

A burst of investment into AI by entrepreneurs, venture capitalists and dealership technology companies over the past few years has resulted in a plethora of new tools available to help dealerships complete a wide variety of tasks such as processing warranty claims, answering customer phone calls and managing inventory levels. AI technology seems to be everywhere in automotive retail, and it's more affordable and easier to use than ever before.

"Maybe we're all sick of hearing about AI, but you better get over that — artificial intelligence underpins the most transformational technology we at Presidio have seen in decades," said Brodie Cobb, CEO of The Presidio Group. "The potential for change is comparable with life before the Internet and life with the Internet."

Rich Sands, CEO of STELLA Automotive AI, calls the pace of change spurred by AI "Olympic in its velocity." He counts AI as one of four mega technologies triggering colossal shifts in auto retailing in the last 25 years. The others? The Internet, mobile phones and cloud computing.

"It's amazing to see," said Sands, who oversees STELLA's AI assistant offerings. "Our team and other AI companies



"The potential for change is comparable with life before the Internet and life with the Internet."

— Brodie Cobb, CEO of The Presidio Group

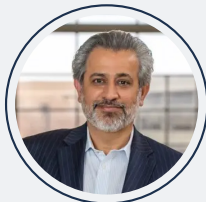
out there are producing more and better technology and features than we've ever seen before."

The increasing accessibility of that technology as the cost of AI drops is one of the more striking developments in auto retail in recent years. Where implementing AI was once a multimillion-dollar endeavor reserved for tech giants, dealerships can now integrate cutting-edge technologies at a fraction of the cost.

Even though software expense for dealers is dropping, revenue connected to automotive AI tools is soaring. According to CDK Global's AI in Automotive: Insights and Innovation Survey 2024 released last November, the automotive AI market is expected to grow to \$7 billion by 2027, up from \$2.3 billion in 2022. If revenue hits the 2027 projection, it will mean a 24.1% compound annual growth rate over that time span.

Jason Bickford, vice president of sales and operations for Bickford Ford in Snohomish, Wash., told *Automotive News* last fall that his dealership has embraced AI for help with tasks such as writing better letters to sales customers and gauging customer sentiment. He acknowledged there are things the technology is not quite ready for yet but added that the AI models are improving.

"It's a really strong tool of support and helps you to do your job faster and better and be more thoughtful with it," Bickford told *Automotive News*. "We just look at it as a big



AI programs will become "smarter than humans in a lot of cases."

— Sidney Haider, senior vice president of corporate development and M&A at Reynolds and Reynolds

time-saver and support to get the job done.”

Automotive retail is particularly ripe for AI-driven transformation, experts say. Repetitive customer interactions that have traditionally depended on human intuition and manual processes can now be enhanced by predictive analytics, automated processes and personalized engagement strategies. Machine learning algorithms can analyze customer data, predict purchasing behaviors and create tailored marketing approaches that feel uniquely personal.

In the service department, AI has the potential to drive increased revenue and customer appointments. Predictive maintenance tools can anticipate vehicle problems before they become critical, enabling dealerships to proactively schedule maintenance work and reduce future breakdowns. The technology also can analyze vast amounts of vehicle data and identify patterns that human technicians might miss.

Inventory management represents another frontier. Advanced algorithms can predict market trends, analyze local demand patterns and come up with the best pricing strategies for current conditions. That means dealerships can make more informed inventory acquisition decisions, reduce vehicle time on their lots and maximize sales price and profit margins.

Technology is even emerging where AI systems learn from themselves by running continual self-assessments to finetune their programming and improve performance in real time. That effort is still in the early stages. As more data is gathered, the power of AI tools will grow geometrically.

“The more data it processes, it starts to get smarter and smarter,” said Sidney Haider, senior vice president of corporate development and mergers and acquisitions at retail tech giant Reynolds and Reynolds Company. That self-improvement feature will lead to AI programs becoming “smarter than humans in a lot of cases.”

Auto retail’s AI revolution is backed by massive capital investment. Scores of companies have raised billions of dollars to develop tools, and money continues to flow in.

But implementation of AI products has its challenges. Dealerships must carefully navigate data privacy concerns, manage initial implementation costs and address potential workforce disruption. Training and education for store staff is critical, experts said — the most successful will be those who view AI as a collaborative tool, not a replacement for human expertise.

THE POTENTIAL OF AI

Dealers and retail technology experts are enthusiastic about the potentially transformational power that artificial intelligence innovation has for auto retailing. A CDK Global survey on AI use in dealerships released in November 2024 concluded:

- The automotive AI market is expected to grow to **\$7 billion** by 2027, a **24.1%** compound annual growth rate going back to 2022
- **68%** of dealership respondents using AI said the technology has positively impacted their operations
- **AI benefits** included helping them achieve financial objectives, enhancing the customer experience and improving internal workflows
- **40%** said they are familiar with AI tools
- **28%** said they already use some AI technology in their dealerships
- **27%** said they plan to adopt AI within the next year



Source: CDK AI in Automotive: Insights and Innovations Survey 2024

At Reynolds, Haider is part of a team looking for tech startups to tap into that complement the company’s own product efforts, which are supported by an 800-person team of developers.

“Long term, AI is going to be in almost every solution to increase efficiency,” he said. “For the first time, we can see the light at the end of the tunnel.”

Reynolds has made AI-related investments in such companies as STELLA, Sheeva.AI and Skaivision and is open to acquisitions in the AI space, Haider said. His team is working with about a dozen companies now and will consider partnering with more if their technology seems like a good fit.

It’s a snapshot of the intense focus that retail tech companies big and small are placing on AI. And it’s early days yet.

Simply put, AI will be “one of the most transformative technologies in our lifetimes, if not the most,” Cobb said. “It will have huge, profound impacts on the automotive retail ecosystem.”

DEALERSHIP TECH SPOTLIGHT

Presidio highlights technology companies adding value to the auto retail ecosystem via products that improve the customer experience, drive revenue, increase efficiency and/or enhance profitability. This quarter we take a look at dealerships' use of technology to create an auto insurance profit stream.



AutoComplete, a startup founded by proven entrepreneur Ahmed Khaishgi in late 2021, is tackling the nearly \$400 billion U.S. vehicle insurance market with the aim to streamline the insurance process for dealerships and consumers.

AutoComplete's technology is integrated with dealership management systems and can be switched on at the store level in moments. The fully digital experience automatically gives consumers a quote with no salesperson involvement, and dealers get paid either a referral fee or a share of insurance commissions, creating a new insurance profit stream.

"Every dealer has tried insurance before us," Khaishgi said, "but prior solutions were super-duper complex, requiring agents in-store, or car salespeople having to pitch insurance. Dealers want an extremely simple solution that requires no work for them."

Three out of four car buyers lower their insurance cost when AutoComplete pulls a customer's existing insurance details and vehicle information to price shop policies among 20-plus major providers. Consumers can save between \$750 and \$1,100 annually, according to a 2024 survey of car buyers who received AutoComplete quotes or switched providers via the platform. Thousands of customers have given AutoComplete five stars on Trustpilot, making it the review site's top-rated insurance agency.

More than 50 of the country's largest dealership groups are clients. AutoComplete's rooftop count grew 400% in 2024 to 1,000-plus stores, said Khaishgi, who is targeting a store count of 5,000-plus dealerships within two years. "It's a no-brainer for dealers," he said. "They get a brand-new large passive profit stream, there are no costs or implementation work, and it saves the customer money."

Serra Automotive launched AutoComplete at two locations in Illinois in August 2022 and has expanded it into three other states. Serra CFO Mark Borkowicz called the program easy to use, with the onboarding process only taking a minute and no need for store-level employees to do anything.

"AutoComplete has been great for our dealership group, helping our profitability," Borkowicz said. "The ease of use is amazingly simple. The onboarding process takes about a minute, and the store-level employees do not need to do anything. The AutoComplete team does all the work."

Serra has even invested in AutoComplete, as have several other retailers, including CarMax, Del Grande Dealer Group, AutoNation, Butler Automotive Group, Flow Automotive Group, Ken Garff Automotive Group and Pohanka Automotive Group. Consumers buying insurance through AutoComplete gave dealers much higher customer satisfaction scores — 24 percentage points better at the highest rating level — in a survey conducted in late 2024 and early 2025.

Khaishgi, who previously founded successful startup SquareTrade, which was acquired by insurance giant Allstate for \$1.4 billion, saw a significant opportunity in the fragmented auto insurance landscape by concentrating efforts in the dealership channel. "For a dealer, there's no training," he said. "It's not another product that the salespeople have to try to sell."

RECENT AUTO TECH TRANSACTIONS

Investments, acquisitions focus on logistics, commercial vehicles and AI services



February 2025: Self Inspection, a vehicle inspection platform provider, raised a **\$2.9 million** seed round to expand its engineering team and accelerate product development. DVx Ventures, Costanoa Ventures and Westlake invested in the round.



March 2025: J.D. Power, an automotive data, analytics and software company, acquired Superior Integrated Auctions, a cloud-based digital wholesaling platform, for an undisclosed amount to strengthen and streamline J.D. Power’s used-vehicle inventory management offerings.



March 2025: Work Truck Solutions, a commercial vehicle software platform, sold a majority stake to **Rubicon Technology Partners**, a private equity firm focused on growing software companies, for an undisclosed amount. Rubicon’s investment is intended to better position Work Truck Solutions to accelerate its product initiatives and further scale its business.



March 2025: Pinewood Technologies Group, a United Kingdom-based dealership management system provider partially owned by Lithia Motors, acquired Seez, an artificial intelligence-powered marketing and virtual assistance platform, for **\$42 million** to improve its own AI platform and better position its expansion into the North American dealership market.



March 2025: Carpool Logistics, an automotive logistics company, raised **\$12 million** in a Series A round of funding to accelerate its growth and enhance its technology and product development. The round was led by Wavecrest with participation from CarMax.



March 2025: Fleetio, a fleet management platform, raised **\$450 million** in a Series D round of funding with investments coming from Elephant Partners and Goldman Sachs Asset Management. A portion of the proceeds was used to acquire Auto Integrate, a maintenance authorization platform, for an undisclosed amount.

Check out one of the latest episodes of
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FULLTHROTTLE

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featuring:

Bernie Moreno
Senator, (R-Ohio)

Meet the Team

Our team has an exceptional breadth and depth of experience in the auto retail and technologies sectors as well as deep relationships in the broader corporate and financial communities. Our mission is to relentlessly put our clients' needs first.



Brodie Cobb
CEO



George Karolis
President



Keith Style
COO



Nate Klebacha
Managing Director



Jason Stein
Managing Director



Alex Watterson
Managing Director



Caitlin Barron
Associate



Erika Bevers
Marketing Associate



Diane Durbin
Chief of Staff



Christine Halm
Executive Assistant



Nick Klass
Associate



Lauren Pfohl
Chief Marketing Officer



Dylan Powell
Analyst



James Reece
Analyst



Adam Schraudenbach
Associate



Brian Sorrell
Vice President



Susan Stein
Chief Administrative
Officer & Controller



Dean Trapani
Analyst



Kevin Tynan
Director of Research



Amy Wilson
Director of Publishing



Scott Zienkewicz
Principal



NADA is aiming to disrupt potential industry disruption in auto retail

As some automakers explore distribution channels that could reshape automotive retail, the National Automobile Dealers Association is fighting back with hard data. The persistent threat of direct-to-consumer sales that seek to limit, or eliminate, interactions between consumers and franchised retailers in part prompted NADA to commission an analysis of distribution methods from consultancy Oliver Wyman.

The study's key finding: Franchised dealerships remain the most cost-effective way to distribute vehicles.

NADA is using the research piece, titled "Automotive Cost of Distribution," to push back on automakers considering alternative approaches. It's a potential that dealers are highly concerned about. More than 50 percent of dealers responding to Presidio's Year-End 2024 Dealer Direction Survey named direct sales as the biggest long-term risk for the traditional franchised model, making it their biggest disruption concern by far.



"The customer, the manufacturers and dealers that are going to do best in the future are going to be the ones having a trusting relationship with a lot of conversation."

— Mike Stanton, CEO of the National Automobile Dealers Association

They have reason for that apprehension. In addition to electric vehicle makers like Tesla, Rivian and Lucid selling directly, established automakers have explored direct sales and other alternative distribution methods like the agency model, a hybrid approach used in foreign markets. In the U.S., a move by Volkswagen AG to sell the revived Scout brand directly beginning in 2027 has put the threat on the front burner for dealers.

The flashpoints of retail disruption in the marketplace are sizeable and legitimate.

Some automaker executives and industry analysts have publicly asserted that the traditional dealer model in the U.S. costs significantly more per vehicle compared with direct sales. NADA CEO Mike Stanton is leveraging the results of the Oliver Wyman study to argue that the traditional dealer model serves consumers and the automotive industry more effectively than direct sales strategies. It boils down to this study conclusion: The franchised model has a lower net cost of distribution than the alternatives when operating at mass-market scale and when the value inherent in each channel is accounted for.

Stanton spoke with Presidio Managing Director Jason Stein about NADA's approach to protecting dealers amid these disruptive forces in the industry. Here are edited excerpts of that conversation:

NADA recently sent a strongly worded letter to Volkswagen Group CEO Oliver Blume and other key executives about Scout Motors.

We sent the letter out. The goal was to have a conversation with Dr. Blume. We had reached out eight or nine months ago [and didn't get a response]. We've had several conversations with Scott Keogh, the U.S. management at VW, Porsche and Audi. And we felt like we were getting the runaround for a couple of years.

Then Scout made the decision to go into direct sales. I

wasn't surprised because we weren't getting a lot of information out of anyone but [was] very disappointed by the way it was announced and their whole process. It's not something I would characterize as a trusting relationship to get the runaround like we have had. And this situation is very different than a Tesla, a Lucid or a Rivian.

Volkswagen AG has decided to compete with their own dealer network — a dealer network that has carried them through tough times [like] the Audi acceleration issue, Dieselgate and trouble with the ID4 recently.

Dealers make massive investments in their communities, facilities, land and people. To decide to compete directly with them [on a] product that they've been looking [forward to] for decades [is] a very frustrating situation. We know there are lawsuits starting to appear in several states. NADA will support those lawsuits from a financial perspective. But we thought it made sense to try and have a meeting and see if we can get something done before going down this legal path. But unfortunately, that's where it looks like it's headed. We've yet to hear back on the letter that we sent.

So ultimately it goes to a legal process?

I think that's where it's headed, unfortunately. There are dealers that have already challenged this in Florida.

What's your read on what's coming out of Wolfsburg?

It could be arrogance. It could be that they made a decision back at a time when it looked appealing. Maybe it's a Tesla copycat. We've seen this time and time again over the years. If they would just listen, we would be saving them from themselves because manufacturers do not know how to retail cars. For Volkswagen and Scout to think they could do it better or for less money than a dealer network is just misguided. It's just not the truth. And some of the things I've been listening to them say — for example, they've had hearings down in South Carolina — they're just not telling the truth.

An Oliver Wyman study released last fall looked at direct-to-consumer and hybrid/agency sales models and determined that the traditional franchise model is the most cost-effective way to distribute vehicles. NADA commissioned that study. What was NADA's impetus for that research?

When you think about the investments that dealers

make, my gut told me the entrepreneur is going to do that much better than some corporate entity. But we had some corporate entities that were talking about their distribution system being a \$2,000 or \$3,000 per vehicle cost disadvantage compared to a direct model. So while my gut told me that can't be the case, we thought it best to commission a study and let the facts speak for themselves.

When you compared apples to apples from a cost perspective, it was very close. But what no one talked about before this study was to quantify the value the dealer brings to the equation.

Every car purchase is unique. The dealer brings value in that they know their local market best, they know their customer best, and the dealer will put together that transaction and put the customer in the vehicle they need, in the budget they can afford.

When you factor in the value of what dealers bring, manufacturers are going to sell more cars; they're going to have happier customers. It was nice to be able to prove that with a third-party study.

How has NADA used the study results and has it been helpful in your interactions with automakers or in any

Disruption worries

Dealers responding to the Presidio Year-End 2024 Dealer Direction Survey identified the biggest long-term risks to the traditional franchised dealer model. Dealers could select up to three answers.

Direct sales model	51.3%
Industry shift to electric vehicles	34.4%
Changes to automaker margin programs	33.1%
Legislative changes, particularly around dealer franchise law	27.5%
Automaker mandates	22.5%
Rise of online retailers	20.0%
Agency model	19.4%
New automaker competitors	18.8%
Regulatory scrutiny	18.1%
Inventory instability	8.1%



Source: Presidio Year-End 2024 Dealer Direction Survey

legal or legislative efforts on behalf of franchise dealers?

Yes, it's been the most productive [when we] have a conversation with our car company partners and put the numbers down. NADA engages with every manufacturer at least twice a year. It's enabled us to have higher-level strategic discussions with our OEM partners.

Where do you see further risk to franchise dealers as established OEMs perhaps launch new brands or consider new distribution models?

I believe in controlling what you can control. The only risk is [if] franchise dealers don't continue to get better. And [dealers'] sales satisfaction scores are better than they've ever been. We just need to continue to focus on the customer, doing what we do best and having a relationship with our car companies that's one of mutual trust — where they focus on building a great car, and we focus on delivering a great customer experience. The customer, the

manufacturers and dealers that are going to do best in the future are going to be the ones having a trusting relationship with a lot of conversation. There'll be disagreements, but that's healthy as long as we are focused on the customer rather than shifting costs. Experimentation, especially with direct to consumer or agency or hybrid distribution models, [is] clearly top of mind for dealers who are worried about future distribution in automotive retailing.

Are there other potential disruptive forces that you and NADA leaders worry about?

It's just the evolving consumer and the marketplace and making sure that we keep pace. Better yet, we need to be a couple of steps ahead, and many dealers are. Many dealers are doing some incredibly innovative things to take care of what is a very complex transaction. I don't tend to worry too much about [what] we can't control. We can certainly control the customer experience within the four walls of the dealership and the digital experience, as well.



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Hosted by **Jason Stein**

Market Insights

Kevin Tynan, Presidio's director of research and a Wall Street analyst for 25+ years, provides deep insight into the global auto industry and the market trends shaping its future via written reports, video and audio commentary, in-person appearances and teach-ins for Presidio's network.



Published by **Kevin Tynan**

Quarterly Report

The Presidio quarterly report includes the Presidio-NCM Average Dealership Performance Benchmark's data on franchised dealership profitability and performance. It also offers dealership transaction activity and valuation guidelines, plus insight and analysis on auto tech and the broader industry.



Led by **Amy Wilson**

For more information on The Presidio Group or to join the conversation with our Perspectives team, please contact Presidio's Chief Marketing Officer, Lauren Pfohl, at lpfohl@thepresidiogroup.com.