

Presidio Perspectives:

A Quarterly Outlook on Auto Retail and M&A Trends

SECOND QUARTER 2025



AUTO EXPERTS. DEAL EXPERTISE.

Helping dealers buy and sell dealerships since 1998.

The professionals at Presidio
have completed over

290

automotive transactions

The professionals at Presidio
have completed over

\$19.0B

in deals

Since 2020, Presidio has
advised on deals involving over

185

dealership franchises

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 exceptional breadth and depth of experience across the automotive and technology landscapes, as well as deep relationships in the broader corporate and financial communities. Our relationships are essential to delivering elevated results for our clients.

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Stabilizing profits make for robust M&A climate

Welcome to the latest issue of *Presidio Perspectives: A Quarterly Outlook on Auto Retail and M&A Trends*, which chronicles the shifts in dealership performance, auto technology development and the dealership M&A market.

The second quarter brought some stabilization to the new-vehicle business for dealers as M&A activity accelerated after a relatively slow start to 2025. New-vehicle volumes were aided by pull-ahead demand driven by potential tariff-related price hikes. But, importantly, new-vehicle gross margins rose sequentially from 2025's first quarter, their first such gain since peaking in 2022.

The strength and balance of the franchised model is clear. Higher quarterly profitability was largely driven by gains in used vehicles, finance and insurance and parts and service. Results across the industry point to stabilizing and growing profits:

- Public dealership groups saw collective adjusted net income rise 17.7%
- The Presidio-NCM Average Dealership Profitability Index reached 200, after dealers posted average net pretax profit growth of 15.3% for 2025's first half
- And 72% of dealers say they expect profitability to stay the same or rise over the next 12 months, per the Presidio Midyear 2025 Dealer Direction Survey

"Dealers are demonstrating their ability to drive earnings growth through their higher-margin business lines," said George Karolis, president of The Presidio Group. "This new level of equilibrium is driving positivity in the M&A market."

As Presidio had anticipated, M&A activity increased in the second quarter, pushing estimated first-half transactions to 208, which would match year-ago figures.

"We continue to operate in a seller's market, with active buyers widely outnumbering the volume of opportunities," Karolis said. "We are seeing more of a flight to quality with buyers targeting top brands in large metro markets."

The industry will soon begin to absorb the full impact of changing U.S. tariffs. To date, automakers have mostly born the higher cost, but those increases likely will eventually be passed to the customer, further pressuring vehicle affordability.

For dealers, it's about controlling the "controllables" — deploying strategic initiatives to grow higher-margin businesses, embracing technology to improve both the customer experience and dealership productivity and balancing brands and locations to optimize long-term portfolio performance.

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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Presidio U.S. Auto Retail Conference: Dealer titans meet in Dallas

Presidio hosted its annual U.S. Auto Retail Conference in Dallas on May 7, drawing dealers from across the country for an unforgettable day of insight. Keynote speakers Alex Rodriguez (“A-Rod”) and Roger Penske (“The Captain”) shared their journeys from the field and the fast lane to the boardroom. Penske, a visionary who’s influenced the industry for decades, received The Presidio Group Lifetime Achievement Award from Presidio CEO Brodie Cobb and President George Karolis. The powerhouse audience represented nearly a third of *Automotive News’* top 150 dealership groups and operates almost 15% of U.S. dealerships, or about 2,600 stores. Notably, 80% of attendees were founders, owners or C-level executives of companies with more than \$230 billion in collective annual revenue. Presidio will host its seventh annual retail conference in spring 2026.



Roger Penske, center-right, accepts his award from The Presidio Group. Joining him, from left to right, are Presidio Managing Director Jason Stein, President George Karolis and CEO Brodie Cobb.



More than 150 guests and speakers joined the Presidio event at the Frontiers of Flight Museum at Love Field in Dallas.



Presidio President George Karolis, left, moderates a panel discussion with MileOne Autogroup CEO Steve Fader, center, and Group 1 Automotive CEO Daryl Kenningham.



Presidio Director of Research Kevin Tynan shares his insight with dealers during a market overview session.



Stein moderates a panel with, from left to right, Kasi Edwards of Reynolds and Reynolds, Marianne Johnson of Cox Automotive and Scott Gunnell of JM&A Group.



Stein leads a conversation with keynote speaker Alex Rodriguez, who discussed the principles of resilience, reinvention and the power of strategic thinking.



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](#) | [Brand Watch](#) | [Presidio Valuation Index](#) | [Presidio’s Valuation Matrix Spotlight](#)

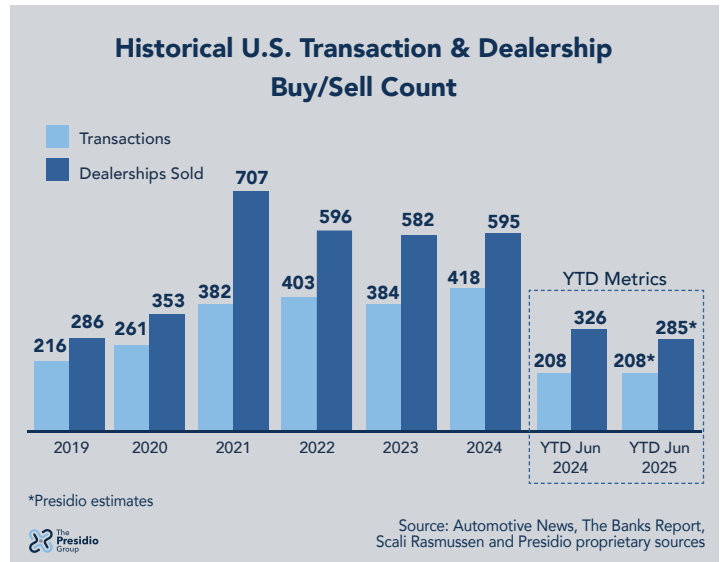
Overall Market Update

After a first-quarter slowdown in the wake of last year’s election uncertainty, the pace of dealership transactions has picked back up, as Presidio anticipated in our last report. We estimate first-half 2025 activity at 208 transactions involving 285 stores — the same transaction count as first-half 2024, which had a higher dealership count of 326.

Presidio also updated its transaction tally for 2024 to 418 deals involving 595 stores as news of additional transactions emerged. That put 2024’s transaction total at 8.9% higher than 2023’s, with 2.2% more stores trading hands.

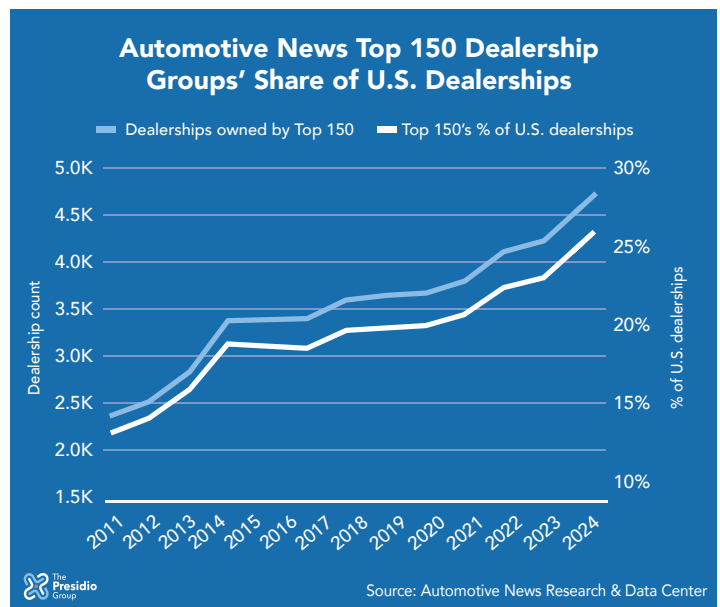
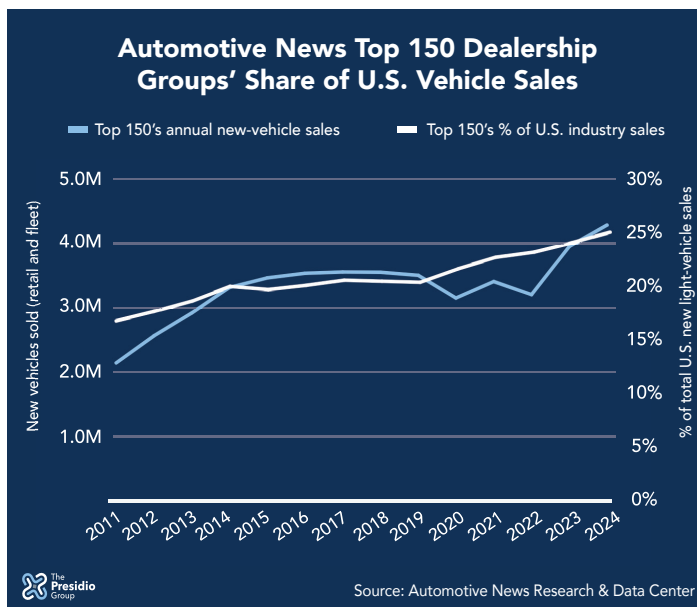
As 2025 continues, the team at Presidio expects transaction counts and number of dealerships sold to meet or exceed 2024’s level. July contributed to deal pace acceleration with several acquisitions during the month, most notably Asbury Automotive Group’s blockbuster \$1.45 billion purchase of 33 Herb Chambers Cos. dealerships in New England.

The Presidio team has facilitated more transactions so far in 2025 than in the same period in recent years. And the number of deals in the Presidio pipeline waiting to be



closed is higher than it’s ever been before.

“After a slow first quarter tied to the uncertainty around the 2024 election, activity has picked up significantly. With the new-vehicle business stabilizing and clarity on U.S. tariffs emerging, dealership M&A prospects are strong,” said George Karolis, president of The Presidio Group. “Presidio



closed six transactions from early June through early August, and our pipeline of pending deals is at an all-time high.”

Most recently Presidio advised Group 1 Automotive on its acquisition of Mercedes-Benz of Buckhead in Atlanta.

Industry consolidation continues to accelerate. *Automotive News’* top 150 dealership groups sold 26.7% of U.S. new light-vehicle volume in 2024, up a full percentage point from 2023. The top 150 owned 26.6% of U.S. franchised stores at year-end 2024, up from 25.4% at year-end 2023 and 13.9% for 2011, according to *Automotive News*.

Private dealers remain active in the M&A market, making up 96% of recorded industry transactions in the first half of 2025. That percentage could shift as more deals are recorded for the period. Public dealership groups’ 4% of transactions is the highest for a first half since 2022. Several public dealership group leaders indicate they plan to stay busy on the acquisition front.

Bryan DeBoer, CEO of Lithia Motors, in late July said Lithia has a “considerable amount” of deals under contract and will continue to target acquisitions strengthening the retailer’s footprint, particularly in the Southeast and South Central U.S.

“We watch the market come to us,” DeBoer said. “We act when there’s opportunities that make good ROI sense.”

Lithia acquired four dealerships in the first half, including

two Mercedes-Benz stores in Mississippi and Tennessee in June in a deal facilitated by Presidio.

Sonic Automotive Group got back into the acquisition market last quarter after a long absence, buying four Jaguar-Land Rover dealerships in California on June 30.

Group 1 acquired seven dealerships in the first half, including three U.S. stores in May. It also divested three dealerships in the U.S. in the first half, deals in which Presidio advised Group 1. The retailer continues to seek high-value acquisition opportunities as it also actively reviews “underperforming stores and developing appropriate plans,” CEO Daryl Kenningham said.



“After a slow first quarter tied to the uncertainty around the 2024 election, activity has picked up significantly.”

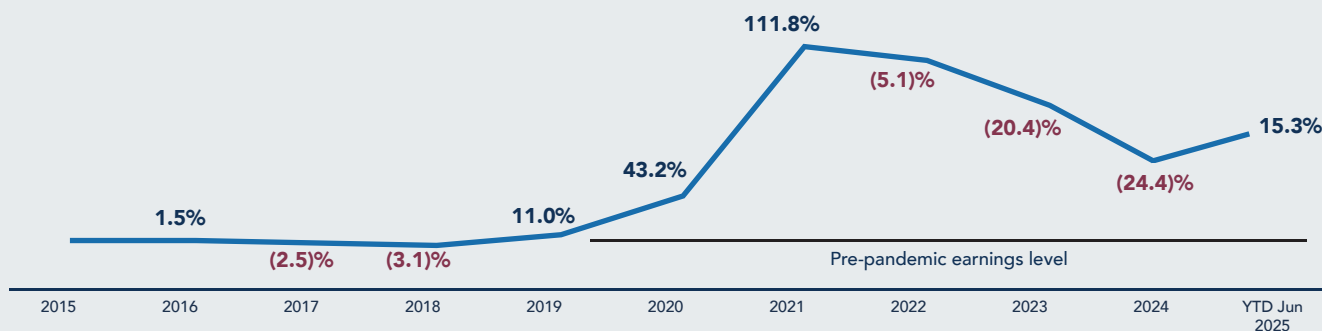
— George Karolis, president of The Presidio Group

While 2025’s acquisition environment “has been fairly quiet because of the uncertainty, it feels like in the last couple of weeks there’s a little more activity,” Kenningham said in late July. “We’re starting to see some more inbound here.”

Kenningham said he thinks the industry is positioned for more large deals the likes of the Asbury-Herb Chambers transaction over the next few years.

In transactions that helped offset the investment required for acquiring Herb Chambers, Asbury divested nine dealerships in the second quarter and July. Presidio advised Asbury on its June divestiture of two Toyota stores in California.

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



Source: Presidio-NCM Average Dealership Performance Benchmark

The Presidio-NCM Average Dealership Performance Benchmark showed the average store’s pretax profit rising 15.3% in 2025’s first half. Whether profit gains will continue at double-digit levels is unclear — some top retailers expect a stabilizing new-vehicle market for the rest of 2025 as the impact of higher tariffs are absorbed by the industry. For now profitability is on the uptick and higher than before the coronavirus pandemic. That’s an encouraging trajectory to be on.

Brand Watch

Each quarter, the Presidio team shares our view on certain automaker brands operating in the U.S. We evaluate brand-level valuation parameters for potential changes twice a year in our second and fourth quarter reports. In the interim quarters, we share notable developments that we are tracking. Our aim is to inform readers about factors that affect both brand health and the valuation of dealerships representing those brands.

Toyota, Lexus and top German luxury makes continue to lead our valuation guide, though we are reducing blue-sky multiples for a couple of the German brands. Exposure to tariff hikes was a key factor influencing these changes. This tariff lens largely led to a better view of leading domestic brands but more caution around certain European luxury brands.

Electric vehicle policy is another factor considered. Brands with more EV exposure may see more discounting and higher sales as dealers unload EV inventory ahead of the Sept. 30 expiration of federal EV tax credits. While good EV deals may bring some consumers off the sidelines, that scenario could favor domestic brands more. EV price points are much higher for European brands, which generally have made deeper commitments to the battery electric shift. Bargain EV shoppers during this period may be more likely to find the best deal on domestic-brand products with their much lower price points.

Domestic automakers also are more likely to benefit in the new regulatory environment as industry production realigns with organic demand — demand biased to the gas-powered light trucks dominating U.S. automaker product lineups.

Finally, other factors contributing to revised multiples include automaker-dealer relations and the broad brand sentiment dealers reported as part of our midyear survey. Accordingly, we are boosting blue-sky multiples for Mercedes-Benz, Cadillac, Chevrolet and Buick-GMC, which are trending positively. We are reducing multiples for Porsche, Audi and Hyundai.

For most brands with revised blue-sky multiples, we also made changes in one of our other valuation pillar areas, blue sky as a percentage of revenue. This followed broad reductions in that revenue multiplier category across most brands at year-end 2024 to account for the leveling out of earnings from their peak in 2022. That profit normalization continues in 2025 with all brand segments seeing gains in average earnings.

PRESIDIO IS RAISING VALUATION GUIDELINES FOR:

↑ **Mercedes-Benz** | + 25 basis points to a blue-sky multiple range of 8.0x – 9.25x

Dealer sentiment about the brand continues to improve in the wake of its pivot to more retail-friendly policies and lessened emphasis on EVs. Dealers are enthused by the return of Adam Chamberlain, who became CEO of Mercedes-Benz USA on July 1 after a stint away from the brand at Aston Martin and Lithia Motors. While Mercedes is open to higher tariffs on its imported vehicles, the Alabama plant assembling its popular and profitable SUVs tempers its tariff risk. With demand and values for its dealerships increasing broadly, we are raising the Mercedes multiple range by a quarter-point on both the high and low ends.

↑ **Chevrolet** | + 25 basis points to 4.0x – 5.0x

Dealers are increasingly positive about Chevrolet. The brand's sales volume rose 9.6% through the first half as its product mix improved. Inventory levels are at an impressive 51-day supply, and Chevy's EV market share is growing. While General Motors' brands do have exposure to tariffs largely through its manufacturing presence in Mexico, the automaker has moved to mitigate that with new investments in U.S. production. We are increasing Chevrolet's multiple range by a quarter-point at both ends.

↑ **Cadillac** | + 50 basis points to 3.75x – 4.75x

The Cadillac brand has been one of the industry's stronger performers through the first six months of 2025. U.S. volume increased 16.5% through the first half, and its average price point rose 17.4% on the strength of Cadillac's EV technology and styling. Inventory is up just slightly and at a 61-day supply at the beginning of July. The market seems to be moving back to Cadillac as the clear top luxury U.S. brand. We are increasing Cadillac's multiple range by a half-point at both ends.

↑ **Buick-GMC** | + 25 basis points to 3.5x – 4.5x

It's a similar story for Buick-GMC, mostly led by the GMC truck brand. GMC's top-notch pickup and SUV lineup helped drive an 11.2% sales gain for the brand in 2025's first half, as inventory rose just slightly to a 61-day supply. The average GMC discount rate grew by a modest 80 basis points year over year. Buick-GMC stores are often overlooked by buyers, creating a good investment opportunity for strategic dealers to acquire at attractive valuations. We are increasing Buick-GMC's multiple range by a quarter-point at both ends.

PRESIDIO IS LOWERING VALUATION GUIDELINES FOR:

↓ **Porsche** | -50 basis points to 8.5x – 9.5x

Porsche's intricate inventory allocation system and expensive facility program already challenged dealers, even before tariff changes. With tariff hikes adding disruption, its multiples are at risk. While Porsche's dealerships are still highly sought, the German luxury brand is in a tricky spot without U.S. production capacity. It accelerated delivery of vehicles to beat the tariff bump, and many were held at ports. Dealers have been wary about how easy it will be to sell those units and hold transaction prices near sticker. While Porsche's first-half U.S. sales volume rose, inventory grew to a 60-day supply, up from 35 days at the same point in 2024. Dealers informing the latest Presidio Brand Desirability Ranking also were less enthusiastic as Porsche fell out of our Magnificent Seven list of brands, dropping to No. 8 in the midyear ranking from No. 5 at year-end 2024. We are lowering Porsche's multiple range by a half-point at both ends.

↓ **Audi** | -25 basis points on the high end to a range of 6.0x – 6.75x

Stale product and more exposure to higher tariffs have been a tough combo for Audi dealers. Audi's U.S. sales fell 11.8% in the first half as tariff policy cut into second-quarter deliveries. Audi paused vehicle shipments to the U.S. for a time in April after the new tariffs were announced and has held some vehicles at U.S. ports. The brand's inventory levels ballooned from a 55-day supply at mid-2024 to a 79-day supply as of July 1. The rate of discounting on Audis modestly increased in the first half. That said, Audi remains a strong brand, and redesigned products in the pipeline will eventually help its prospects. Audi also is considering establishing U.S. production capacity to address the impact of higher tariffs. With the prospect of those stabilizing factors, we are lowering only Audi's high-end multiple, by a quarter-point.

↓ **Hyundai** | -50 basis points on the low end to a range of 3.5x – 5.0x

While Hyundai remains in the Presidio Brand Desirability Ranking's top 10, its policies make it increasingly unpopular with some dealers. We are seeing more challenges in the buy-sell market related to Hyundai's M&A process. And some dealers say its facility requests are unreasonable. Hyundai's products are popular with consumers — sales rose 10% in the first half — but the brand's approach with some retailers is the opposite of perennial dealer favorite Toyota. We've trimmed Hyundai's low-end multiple by a half-point.

The Presidio Valuation Index

When valuing a dealership, it’s all about expected normalized future earnings, which typically influence 80% of the equation for mainstream brands. Presidio considers this when determining 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, but dealership earnings have grown and varied dramatically. Predicting sustainable earnings is a critical 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 but has rebounded in 2025 thus far, up 15.3% through the first half. 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:

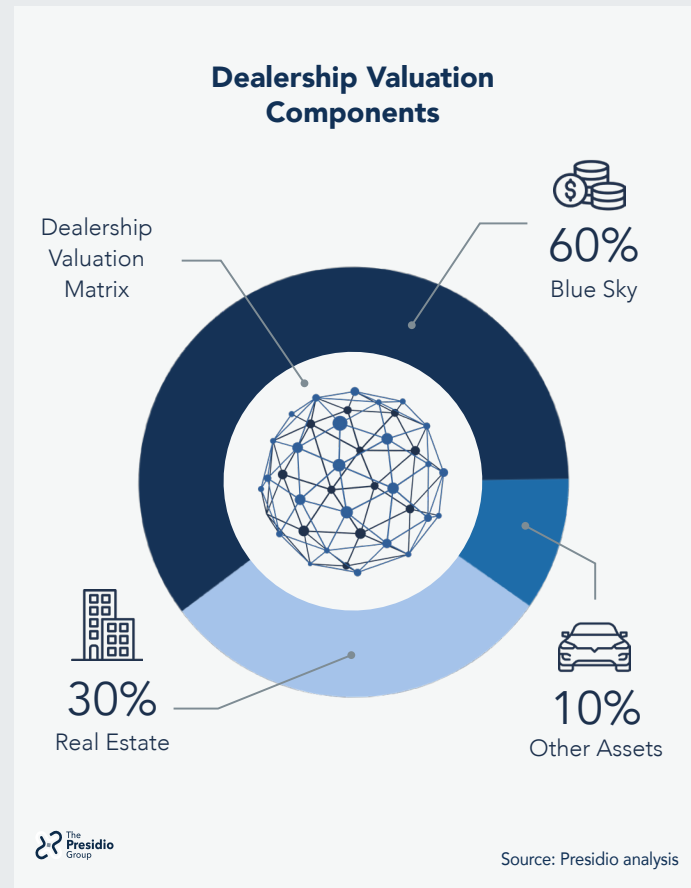
Luxury brands: 4-7% | Top-tier import brands: 3-5% | Domestic/Other value brands: 1-3%

Revenue multipliers help eliminate volatility associated with changes in dealership earnings and are labeled on the following Presidio Valuation Index page as “blue sky as a % of revenue range.” Revenue multipliers are 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 lacks the sophistication required to determine a dealership’s market value. 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 evaluates each brand on the three pillars twice a year and revises multiples or other factors as needed. While we believe our approach helps 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: <https://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. Major factors influencing our changes in this report include shifting tariff and electric vehicle policies and automaker-dealer relations. With domestic brands more likely to benefit from the new regulatory environment, we've increased blue-sky multiples for Cadillac, Chevrolet and Buick-GMC. With dealer sentiment improving, we also raised multiples for Mercedes-Benz. We are reducing multiples for Porsche, Audi and Hyundai. For most of these brands, we've also revised blue sky as a percentage of revenue, one of our other valuation pillars.

Presidio Valuation Pillars →		Blue Sky as % of Revenue Range	Blue-Sky Multiple Range	Average Estimated ROI	Dealership Count as of Jan. 1, 2025	2024 New-Vehicle Volume/Dealership
	Lexus	48% - 62%	9.0 - 10.0	<10%	244	1,417
	Porsche	52% - 67%	8.5 - 9.5	↑	202	381
	Mercedes	41% - 50%	8.0 - 9.25		384	975
	BMW	43% - 52%	7.75 - 9.0		350	1,061
	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 - 6.75		307	643
	Kia	14% - 24%	4.5 - 5.5		795	1,006
	Chevrolet	13% - 19%	4.0 - 5.0		15%	2,886
	Hyundai	14% - 24%	3.5 - 5.0	↓	852	988
	Ford	13% - 19%	3.75 - 4.75		2,839	682
	Cadillac	11% - 16%	3.75 - 4.75		567	282
	Volvo	12% - 17%	3.5 - 4.5		281	444
	Mazda	11% - 16%	3.5 - 4.5		541	783
	Buick-GMC	10% - 14%	3.5 - 4.5		1,659 ¹	553
	Acura	10% - 14%	3.0 - 4.0		274	485
	Volkswagen	10% - 14%	3.0 - 4.0		633	596
	CDJR	4% - 10%	2.5 - 3.5		2,398 ²	539
	Nissan	4% - 10%	2.5 - 3.5		1,069	806
	Infiniti	4% - 10%	2.0 - 3.0	20%	197	292

1) Dealership count represents GMC outlets

2) Dealership count represents Chrysler 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

Geography

Geographic location is a driving force behind dealership demand and, ultimately, what a store may be worth

In addition to brand and earnings potential, geographic location is one of the most important factors determining the value of a dealership.

States with booming populations, business-friendly policies, warmer climates and low or no state income taxes are consistently among the most popular acquisition targets for dealership buyers as such factors contribute to robust profitability and long-term growth prospects. When more acquirers target such areas, a resulting supply-demand imbalance boosts store valuations.

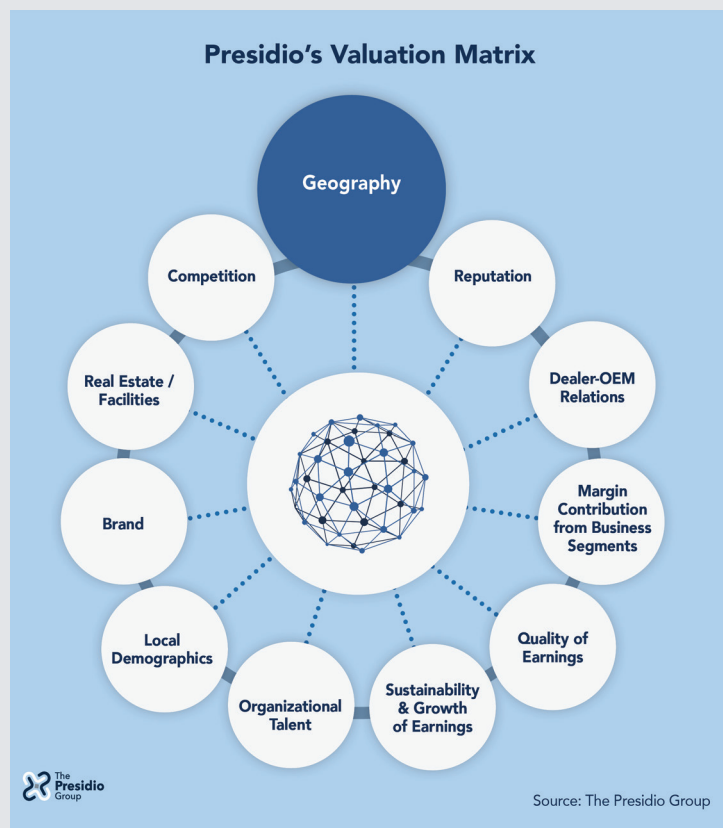
The Presidio Group, in its recent Midyear 2025 Dealer Direction Survey, queried dealers about the most desirable areas in which to buy. The Southeastern U.S. was their top pick, chosen by 60% of respondents. Survey takers could select up to three regions. The Southwest came in second, selected by 40%.

"Those parts of the country typically have growing populations and less regulatory burden — so it's no surprise so many dealers want to be there," said George Karolis, president of The Presidio Group. "Buyers are looking for markets where long-term growth and a stable business environment can help offset any future industry headwinds."

Florida, with its attractive climate, population boom and pro-business regulatory environment, is the most in-demand state, Karolis said. With no state income tax and business-friendly conditions, Florida dealerships in good markets usually sell at the high end of blue-sky multiple ranges. Stores representing top brands in great markets can sell at multiples well above published ranges.

Texas, with many of the same attributes as Florida, is next in demand, Karolis said.

The Midwest region, with several business-friendly states, was ranked third by survey respondents. The Northeast and West tied as the least desired. Many



states in the latter two regions have higher taxes and more regulatory oversight, but they have appealing qualities, too, such as population density in the Northeast. There is still healthy demand for buying dealerships in those areas.

While some buyers avoid California for its higher costs and regulatory environment, many dealers want to be there for its attractive climate, high units-in-operation level and industry-leading sales volume — about one of every nine U.S. new vehicles in 2024 was sold there. California stores can deliver good returns, and their acquirers chalk up the

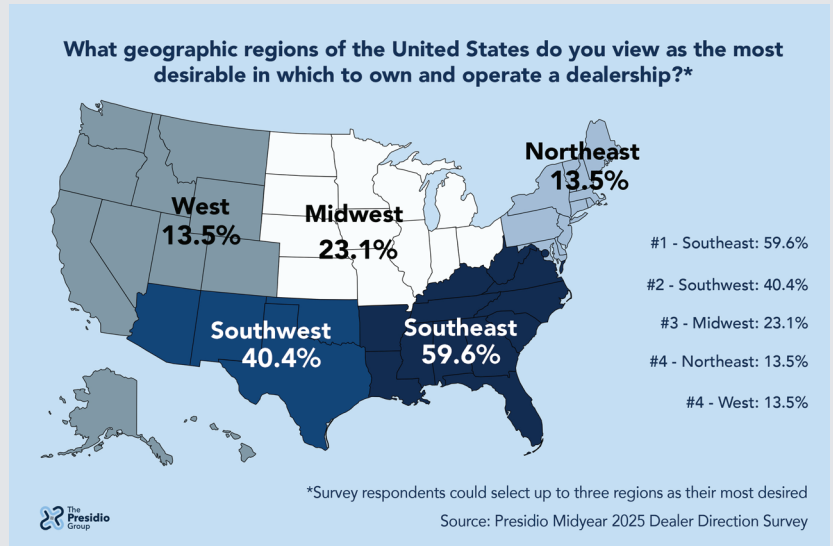
expense and regulatory environment as a cost of doing business that's baked into the purchase price. California has been among the top states for dealership transaction count in *Automotive News'* annual buy-sell report in recent years.

A dealer's second-home location also can be a factor in where they buy. Some want to expand in places where they vacation or spend the winter, which helps support demand in states like Florida, Arizona or Colorado.

Market size is another consideration. Rural areas typically have slower growth rates, lower populations and smaller volumes, and it can be hard to find enough management talent. That translates to less demand from dealership buyers. But rural stores can be solidly profitable given lower costs and fewer competitors. With a lower investment hurdle, some dealers have become rural consolidators.

Still, there's more demand in midsized and large metro areas where dealerships typically command mid-to-high-range multiples.

Increasingly, the strength of certain brands can trump geography. "We hear regularly from dealers that they'll buy Toyota anywhere — or large luxury dealerships representing Lexus, Mercedes or BMW," Karolis said.



"Buyers are looking for markets where long-term growth and a stable business environment can help offset any future industry headwinds."

— George Karolis, president
of The Presidio Group

Strategy around geography can differ greatly between public and private dealers. Many private dealers prefer to focus on dominating a specific metro area or state. The six public groups and a handful of the largest

privately owned groups, however, are more likely to invest across a national footprint.

There are trade-offs between concentrating stores in one area vs. spreading out across a region or nationally. Concentration enables operational efficiencies and promotes a strong local reputation but can limit growth.

"If you want to significantly expand your dealership group, you'll likely need to look beyond a single metro area to find lasting growth opportunities," Karolis said.

Bottom line: Geography remains a central driver of dealership value, with locations in the Southeast and Southwest leading the way. Areas with great weather, stable business climates, strong population growth and higher levels of units-in-operation supporting the service business are in high demand. In the end, a well-planned strategy around geography sets dealers up with a clear roadmap for portfolio growth and, when appropriate, repositioning of their investments into more optimal locales.

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.



Mercedes-Benz
BUCKHEAD

acquired by



GROUP 1



Hall
MileOne Autogroup
Honda Huntersville

acquired by



Hudson
Automotive Group



BILL BROWN
Ford

acquired by



PENSKE
Automotive



Park Place
DEALERSHIPS

acquired by



ASBURY
AUTOMOTIVE GROUP




SUBURBAN
Suburban Collection Holdings

acquired by




LITHIA
MOTORS, INC.



Fred Anderson
NISSAN
CHEVROLET
GREER

acquired by



Escude
Automotive
Group



LEXUS
LEXUS OF WILMINGTON
ASBURY
AUTOMOTIVE GROUP

acquired by



MileOne
AUTO GROUP




GROUP 1
AUTOMOTIVE
BEAUMONT, TX

acquired by




DOGGETT
AUTOMOTIVE GROUP



UMANSKY
AUTOMOTIVE GROUP
CHARLOTTEVILLE

acquired by



FLOW



MileOne
CHESAPEAKE, VA
NEWPORT NEWS, VA

acquired by



SOUTHERN
AUTO GROUP



Anderson Autos

acquired by



J.H.K. Swickard
SWICKARD AUTO GROUP



JOHN EAGLE
DEALERSHIPS

acquired by



LITHIA
MOTORS, INC.




FINK
AUTOMOTIVE GROUP

acquired by




LITHIA
MOTORS, INC.



Audi
Lakeland
Volkswagen
Brandon

acquired by



ATLANTIC COAST
AUTOMOTIVE GROUP




Larry H Miller
Toyota Lemon Grove
ASBURY
AUTOMOTIVE GROUP

acquired by




VAUGHAN
AUTOMOTIVE



Mercedes-Benz
JACKSON, MS
Mercedes-Benz
COLLIERVILLE, TN

acquired by



LITHIA
MOTORS, INC.



PRESIDIO DEALER DIRECTION SURVEY

Despite concerns about tariff hikes and geopolitical instability, dealer sentiment around profitability and dealership values is improving, the Presidio Midyear 2025 Dealer Direction Survey revealed.

About 72% of dealers responding to the survey expect profitability to stay the same or improve over the next 12 months, up from 65% at year-end 2024 and significantly better than 37% a year ago. During that time, average dealership profitability has stabilized after sharp drops from pandemic-era peaks. The typical U.S. franchised store posted a 15.3% gain in pretax profit in the first half of 2025, according to the Presidio-NCM Average Dealership Performance Benchmark.

“Once tariffs and economic uncertainty [is] absorbed, consumers will be more willing to purchase new vehicles,” one respondent wrote. “Better new vehicles on the way will also stimulate sales. More [units in operation] will result in more labor and parts sales for fixed operations.”

Several dealers noted that costs, automaker margin practices and regulatory policy could pressure profitability in the long run. “Margins are still high compared to pre-Covid,” another wrote.

About 75% said they expect dealership values to stay the same or improve over the next 12 months, up from 64% at year-end 2024 and 45% in mid-2024. Dealers pointed to continued consolidation and the possibility of fewer U.S. dealerships in the long run as factors supporting stable or growing valuations but noted that the value of any particular store will always be dependent on brand and geography.

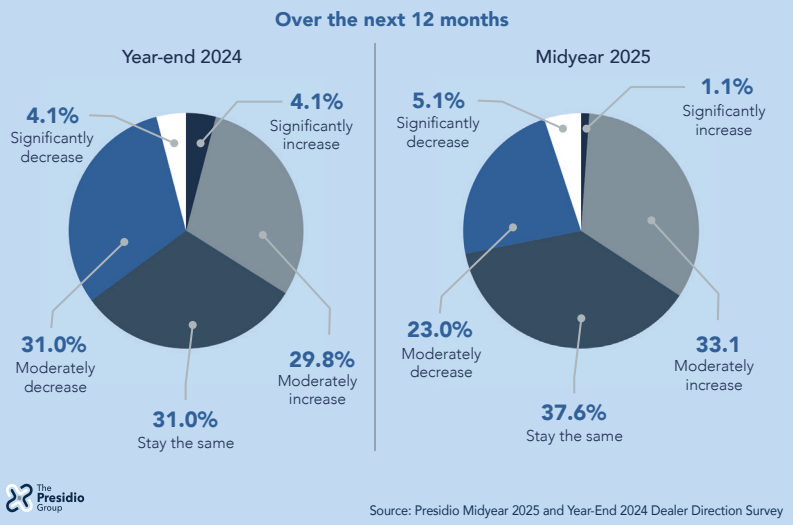
“Auto generates substantial cash flows and many [private equity] firms and investors want cash generating businesses, so expect demand will remain strong,” a dealer wrote.

Tariff shifts were clouding dealer outlook at the time the survey was fielded in May and June. Some alarm about tariffs has eased since then as U.S. new-vehicle sales volume persevered. Automakers have largely absorbed tariff hikes, with many announcing expected major hits to 2025 financial results. That

KEY SURVEY HIGHLIGHTS

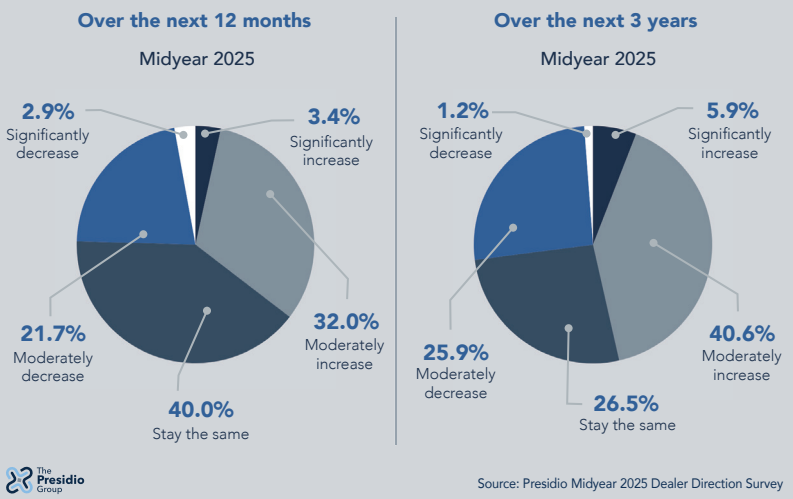
- Brand sentiment underscores dealers’ flight to quality
- Presidio’s Magnificent Seven becomes the Magnificent Six as Porsche dips in the face of tariffs but Toyota, Lexus, Honda, Subaru, BMW and Mercedes-Benz maintain strength
- Dealers’ profit outlook improves even as political uncertainty and tariffs cause concern
- Most dealers expect stable or higher dealership values and want to expand through acquisition — which means it’s a seller’s market for desired brands

How do you think dealership profitability will trend?

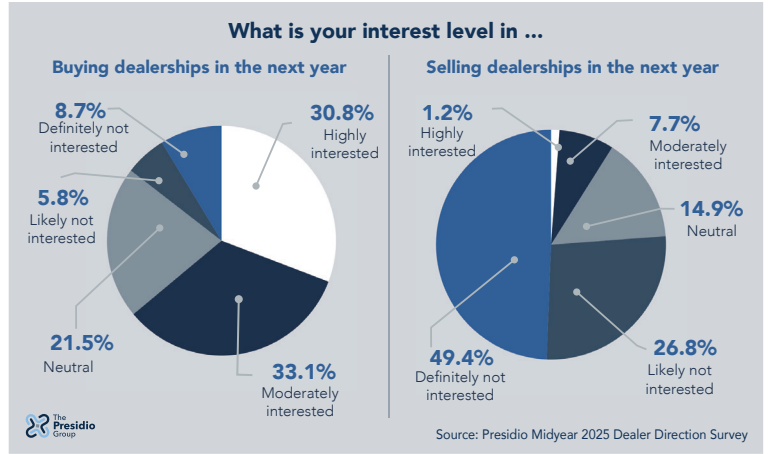
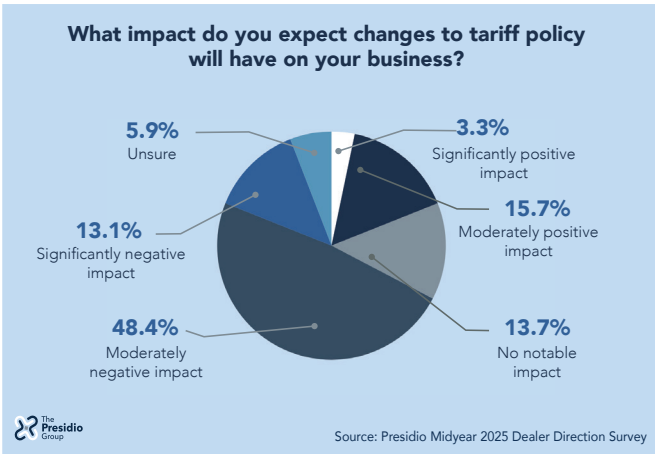


Source: Presidio Midyear 2025 and Year-End 2024 Dealer Direction Survey

How do you think dealership values will trend?



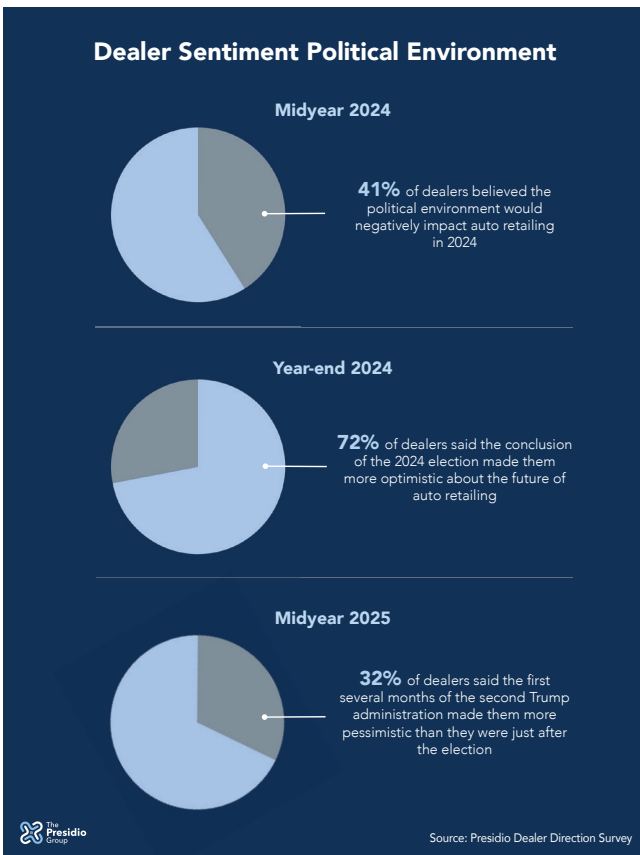
Source: Presidio Midyear 2025 Dealer Direction Survey



buffer for dealers and consumers may not last long. Experts say automakers will eventually have to pass on the higher expense. Around 61% of respondents said they expect new tariff policy to hurt business. The speed of the changes was cited by many. "The global supply chain doesn't change in 90 days," one dealer wrote. "Factories can't be built overnight."

The Presidio Dealer Direction Survey is conducted twice a year. The latest survey, fielded May 15 through June 13, aggregated responses from 182 dealers and dealership group executives representing nearly 3,000 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.

More dealers were interested in buying vs. selling. Only 9% indicated interest in selling over the next 12 months, but nearly two-thirds said they want to buy. Their top reason: Generating return on investment. An increasingly popular reason: To create opportunities for the next generation or key operational talent — the No. 2 answer in the most recent survey for wanting to buy.



Political roller coaster persists

Political change continues to shape dealer sentiment. Across the last three surveys, dealers' views about leadership in Washington, D.C., have been on a roller coaster — from notable pessimism in summer 2024 as election uncertainty loomed to perhaps outsized optimism at year-end 2024 after Donald Trump's win, and now a more tempered outlook in the wake of policy changes around tariffs and electric vehicles.

Nearly a third of respondents reported a more negative view of auto retail's 2025 prospects than just after the election, while an equal number were unsure or unchanged in their sentiment. Slightly more, 36%, said they were more optimistic.

Tariffs were one reason for increased negativity. "Tariffs are on and then off and then on and then slightly off. It's so difficult to keep track of what's going on," a dealer wrote.

Some said higher tariffs could eventually benefit the industry but noted that the policy swings this spring and summer had caused "way too much disruption in our business."

While automakers generally absorbed tariff increases through the first half, most experts say that won't last forever, meaning that dealers and consumers are likely to see higher prices at some point.



PRESIDIO BRAND DESIRABILITY RANKING

The Magnificent Seven group of brands topping the Presidio Brand Desirability Ranking is now the Magnificent Six.

Toyota, Lexus, Subaru, Honda, BMW, Mercedes-Benz and Porsche had consistently led the ranking across the previous four surveys going back to 2023. But new tariff policy announced just before the Midyear 2025 Dealer Direction Survey was fielded lowered the appeal of some European luxury brands, at least at that point in time. Porsche fell out of the top seven, sliding three spots to No. 8 behind Kia and now down five spots since Presidio’s inaugural survey.

“In addition to its challenging inventory allocation system and expensive facility demands, tariff concern was a big contributor to the declining view of Porsche, which has no U.S. production capability,” said George Karolis, president of The Presidio Group. “While still highly desirable among buyers, whether Porsche recovers its previous heights could depend on how tariffs play out.”

Presidio’s survey asks dealers to rate the desirability of owning stores representing specific brands. Most brands sold in the U.S. are options, with some presented as clusters commonly found together — like Chrysler-Dodge-Jeep-Ram or Jaguar-Land Rover. Ultraluxury brands (such as Aston Martin and Ferrari) are grouped collectively.

Kia is now in the No. 7 spot, primarily because of Porsche’s decline. Kia has been remarkably consistent, ranking No. 8 in the previous four surveys.

Other European luxury brands showed signs of tariff strain. Jaguar-Land Rover fell from No. 14 to No. 19 and is down eight spots in total since the inaugural survey. Audi fell from No. 11 to No. 14 since the last survey. None of those brands have U.S. production capacity. By contrast, Mercedes-Benz and BMW, which both have large U.S. assembly plants, each gained a position.

Meanwhile, certain domestic brands showed resilience. Chevrolet held steady at No. 10, while Ford climbed a spot to No. 11. Buick-GMC improved from No. 16 to No. 13, while Cadillac jumped four places to No. 15 since the last survey. One respondent wrote, “We are 100% domestic. There is nowhere to go but up!”

Top-tier Asian brands remained steady, with Toyota and Lexus as No. 1 and No. 2 respectively, where they’ve been for all five surveys. Honda, Subaru, the aforementioned Kia and Hyundai also stayed in the top 10. These brands have effectively navigated market challenges and maintain dealer enthusiasm.

Brand Ranking

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

PRESIDIO MAGNIFICENT SIX

TOYOTA	Toyota	9.37
LEXUS	Lexus	8.67
HONDA	Honda	8.30
SUBARU	Subaru	7.99
BMW	BMW	7.22
Mercedes-Benz	Mercedes-Benz	7.12
KIA	Kia	6.88
PORSCHE	Porsche	6.61
HYUNDAI	Hyundai	6.45
CHEVROLET	Chevrolet	6.43
FORD	Ford	6.03
MAZDA	Mazda	5.24
BUICK GMC	Buick-GMC	5.08
AUDI	Audi	5.05
CADILLAC	Cadillac	4.63
ACURA	Acura	4.29
GENESIS	Genesis	4.27
VOLKSWAGEN	Volkswagen	4.01
JLR	Jaguar-Land Rover	3.91
ASTON MARTIN/FERRARI	Ultraluxury	3.35
LINCOLN	Lincoln	3.28
NISSAN	Nissan	3.15
VOLVO	Volvo	3.13
CHRYSLER DODGE JEEP RAM	CDJR	3.10
INFINITI	Infiniti	2.37

Notable Brand Sentiment Trends

● Data points represent brand's desirability ranking across surveys



Source: Presidio Dealer Direction Survey

Source: Presidio Midyear 2025 Dealer Survey



PRESIDIO-NCM AVERAGE DEALERSHIP PERFORMANCE BENCHMARK

Q2 delivers big profit lift for dealers across brand segments, with tariff rush and CDK breach comps playing roles

Average dealership performance data for 2025's second quarter from The Presidio Group and NCM Associates showed all brand segments enjoying double-digit income gains after years of decline from pandemic-era peaks.

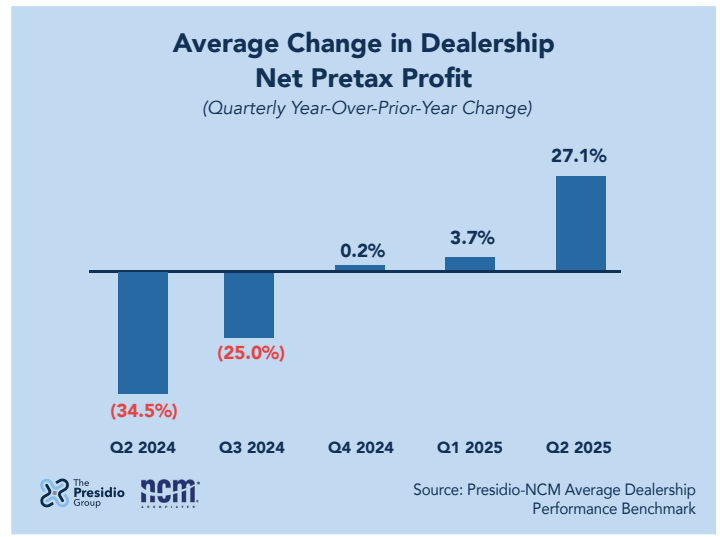
- The average franchised dealership posted a **27.1%** increase in net pretax profit compared with the year-earlier quarter, led by import-brand segment gains and helped by the first quarterly improvement for the domestic-brand segment in three years.
- While gains in part reflect post-pandemic normalization, the quarter's positive trends also got a boost from **two factors** — consumers' rush to buy new vehicles ahead of tariff hikes and an easy comparison to a year-ago period dragged down by the CDK Global outage.
- Operational gains were broad-based, with **all departments** — new, used, F&I and fixed operations — delivering gross profit increases for the quarter.
- Average gross profit per new vehicle rose **6.1%** sequentially from 2025's first quarter to \$2,128, representing the first uptick in that metric in recent history.

Franchised dealerships continue to demonstrate resilience and a rebound in profitability, according to second-quarter data from the Presidio-NCM Average Dealership Performance Benchmark.

Average revenue rose 8% to \$22 million as new-vehicle volume increased 8.3% and used-vehicle volume 3.7%, fueled by pull-ahead demand created by the Trump administration's announcement of new tariffs. Even considering that tariff effect and the easy comparison against year-ago data stemming from the CDK Global breach, average dealership profits seem to be normalizing at numbers significantly higher than before the coronavirus pandemic.

The average store's profit for the first half of 2025 was 2.0 times its pre-pandemic level in 2019, according to an analysis

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



Current Snapshot

Here's a quick look at the average dealership performance for Q2 2025 compared with Q2 2024:

Revenue: \$22.0M ↑ 8.0%	Profit change YOY: ↑ 27.1%
New vehicles retailed: 229 ↑ 8.3%	Gross profit per new vehicle retailed: \$2,128 ↓ 7.4%
Used vehicles retailed: 189 ↑ 3.7%	Gross profit per used vehicle retailed: \$1,567 ↑ 10.7%
F&I income per retail unit: \$1,688 ↑ 5.6%	Fixed-ops gross profit change YOY: ↑ 6.2%

Source: Presidio-NCM Average Dealership Performance Benchmark

of Presidio-NCM data. That pushed the Presidio-NCM Average Dealership Profitability Index to a score of 200 as of the end of June, higher than its mark of 180 at the end of March and 173 at the end of December.

“Second-quarter results highlight the adaptability and underlying strength of franchised dealerships,” said George Karolis, president of The Presidio Group. “We are seeing a continued redefinition of what normal profitability looks like for dealers, but it’s important to remember not all stores are participating equally in this rebound. Brand strength and geographic factors continue to be key differentiators driving operational performance and dealership values.”

The Presidio-NCM Average Dealership Performance Benchmark is based on the aggregated financial results of more than 4,000 U.S. franchised dealerships of all brands and sizes that work with NCM Associates. The number of outlets contributing to second-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 look to the second half of the year, staying informed and positioning operations to capitalize on both challenges and opportunities are key.

“To keep their gains going, dealers should double down on operational discipline — closely managing expenses, optimizing inventory and staying responsive to shifts in consumer demand,” said Paul Faletti, CEO of NCM Associates. “Sustained profitability will come from a focus on fundamentals and a willingness to adapt as market conditions continue to evolve.”

For the first time since pandemic-high profits began to fall off in 2022, all three brand segments — luxury, import and domestic — saw a rebound in year-over-year average pretax profit, putting them in profit growth mode again. The domestic segment was the last to turn that corner in the just-completed second quarter, following the luxury segment’s rebound starting in the fourth quarter of 2024 and the import segment in the first quarter of 2025.

The second-quarter gains were significant for all three segments — up 33.9% for the average import store, up 31.7% for the average luxury store and up 23.5% for the average domestic store.

That led to the blended overall per-store average change of 27.1% in the second quarter. Again, the tariff-induced surge



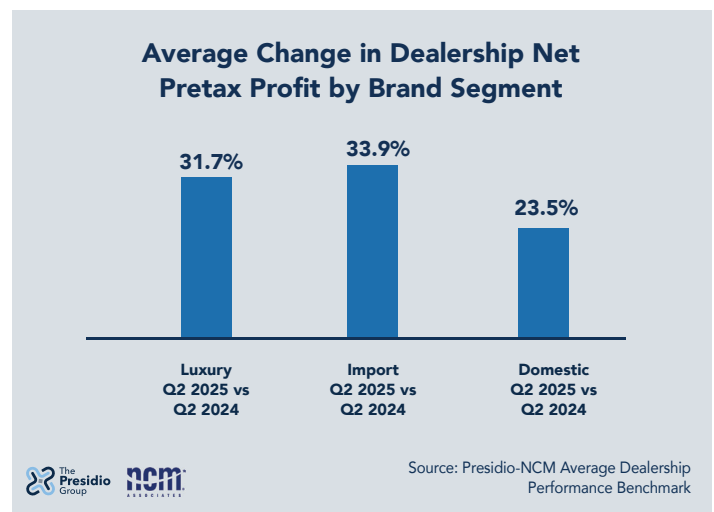
“We are seeing a continued redefinition of what normal profitability looks like for dealers.”

— George Karolis,
president of The Presidio Group

in vehicle purchases and the easier comp against the year-ago quarter related to the CDK breach helped drive the significant increase.

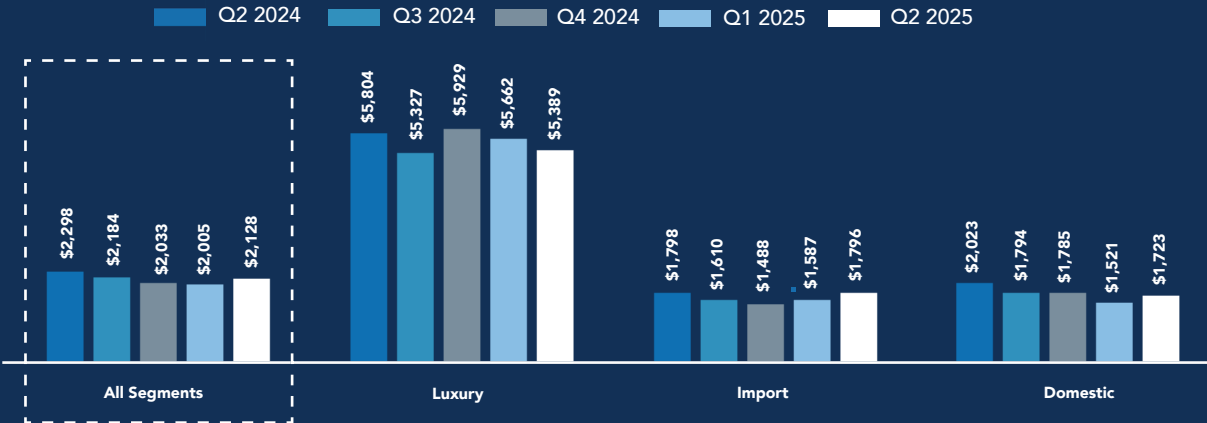
New-vehicle gross profit per unit fell 7.4% year over year but rose 6.1% compared with 2025’s first quarter to \$2,128, its first such improvement following a steady decline that began in 2022. The metric had hit its lowest level since 2020 in 2025’s first quarter at \$2,005. The import and domestic brand segments drove this year’s second-quarter sequential gain, with import rising 13.2% to \$1,796 and domestic rising 13.3% to \$1,723. Meanwhile, the luxury segment dropped sequentially, with its average gross profit per new vehicle falling 4.8% from 2025’s first quarter to \$5,389 in the second.

The used business saw improvement, with the average gross profit per used vehicle rising 10.7% to \$1,567 on a year-over-year basis and with a similar gain on a sequential quarter-over-quarter basis. The second-quarter progress is credited in part



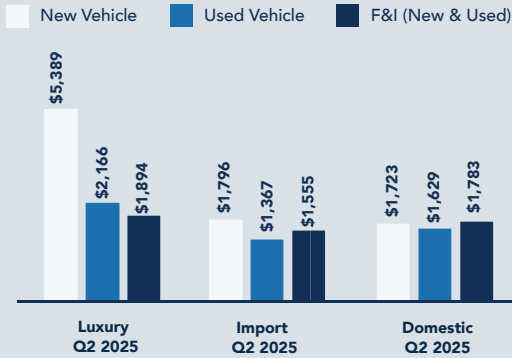
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Average New-Vehicle Gross Profit by Brand Segment



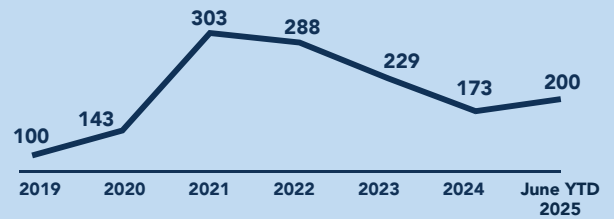
Source: Presidio-NCM Average Dealership Performance Benchmark

Gross Profit Per Vehicle by Brand Segment



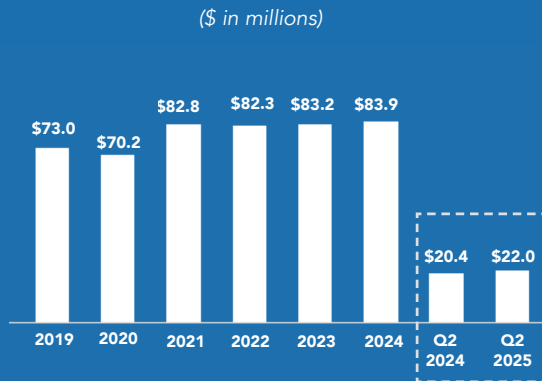
Source: Presidio-NCM Average Dealership Performance Benchmark

Presidio-NCM Average Dealership Profitability Index



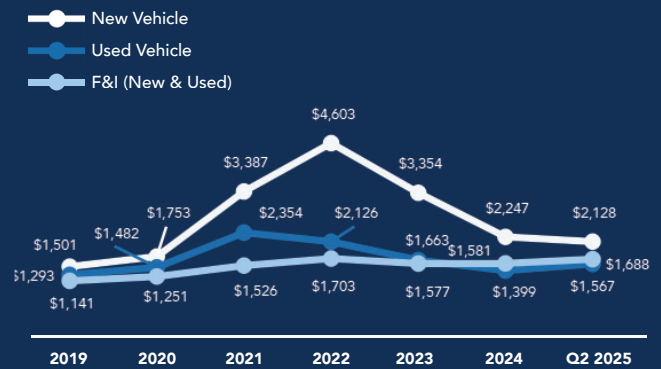
Source: Presidio-NCM Average Dealership Performance Benchmark

Average Dealership Revenues (\$ in millions)



Source: Presidio-NCM Average Dealership Performance Benchmark

Average Dealership Gross Profit Per-Vehicle Metrics



Source: Presidio-NCM Average Dealership Performance Benchmark

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

to tariff changes given affordability and inventory concerns.

Opportunities for dealers abound in the used-vehicle business even though it's significantly undersupplied, said Kevin Tynan, Presidio's director of research.

"Used could mirror the trends of the new-vehicle segment circa 2022 with fewer transactions but firm prices and historically wide margins," he said.

Per-vehicle finance-and-insurance income rose a healthy 5.6% year over year to \$1,688.

Parts and service continues to be an area of opportunity for dealerships. The average dealership's fixed-operations gross profit for the second quarter rose 6.2% year over year.

"Mid-single digit growth for what is a very mature business is a positive, demonstrating how parts and service is a profit driver," Tynan said.

With the parts-and-service department significantly disrupted

by the CDK outage in June 2024, more clarity on fixed-ops performance is expected to accompany third-quarter results to be released in October.

The average store's net floorplan interest expense continued its year-over-year improvement in the second quarter, helped by lower interest rates than a year ago. It moved from an expense of \$36,360 in the 2024 period to an expense of \$13,164 in the just-completed quarter.

Overall, second-quarter results continue to support the story of 2025 as a turning point for average dealership performance. With all three brand segments now experiencing rebounding profitability, this could be a year that establishes the average dealership's new post-pandemic normal.

But ongoing uncertainty around the impact of tariffs presents a caveat to that notion. Ultimately, the new normal will depend on automaker and dealership exposure to and management of the shifting tariff landscape.



The professionals at Presidio have completed over 290 transactions totaling over \$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

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PERFORMANCE
INDICATORS
2025 - US

FIXED OPERATIONS

KEY
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PUBLIC DEALERSHIP GROUP TRENDS

Higher-margin business units deliver for publics

The six publicly traded dealership groups effectively flexed the strength of their balanced business model in 2025's second quarter by pivoting toward higher-margin business lines to deliver revenue and profitability gains.

All the publics reported earnings gains, and the peer group delivered a 17.7% increase in collective adjusted net income. A tariff-related surge in new-vehicle sales early in the quarter and an easier comp to year-earlier results hurt by the CDK cybersecurity breach helped the peer group.

The companies delivered strong same-store revenue gains across their franchised dealership operations: a 5.5% increase in used vehicles; a 6.2% increase in finance and insurance; and a 11.1% increase in parts and service. Parts and service in particular continues to drive overall operating results, contributing 41% of overall gross profits for the publics combined in the quarter. Lithia Motors CEO Bryan DeBoer highlighted how parts and

service has diversified the company's revenue stream. "Over 60% of our net profit comes from aftersales operations," DeBoer said.

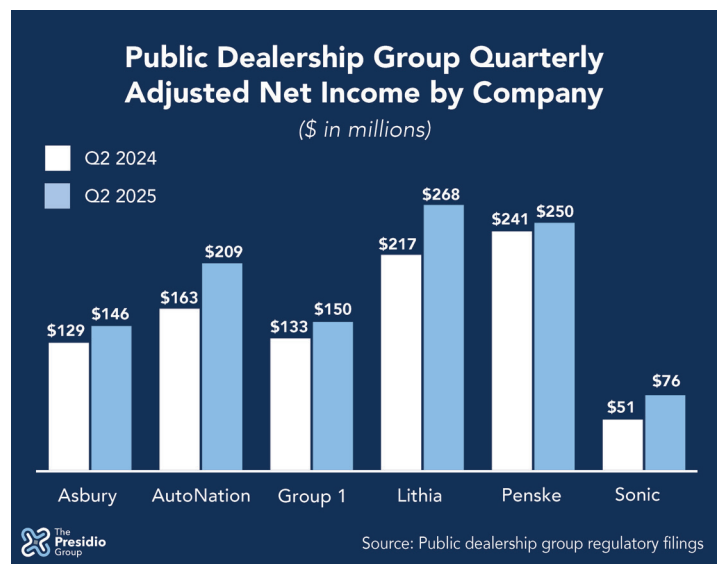
Operating margins continued to improve after hitting a five-year low of 3.9% in 2024, growing to 4.4% for the first half of 2025 for the peer group. And the publics' average liquidity position reached a new high, coming in at \$1.4 billion as of June 30. That means the retailers have ample reserves for capital deployment and strategic investment.

The publics' leaders said they generally expect a stable new-vehicle sales environment over the remainder of 2025 as the industry continues to absorb the impact of changes in U.S. tariff policy and the upcoming termination of federal EV credits. "From a margin point of view ... I do think you're going to see stability [in the new-vehicle business] for the balance of the year," AutoNation CEO Michael Manley said.

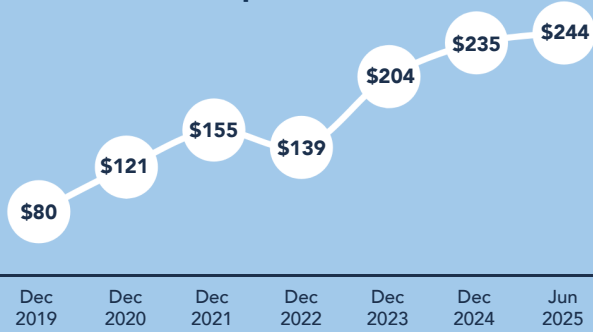
Assuming that turns out to be the case, the public dealership groups are well positioned to drive future profitability gains through strategic growth of their higher-margin business lines.

"You're going to see stability [in the new-vehicle business] for the balance of the year."

— AutoNation CEO
Michael Manley

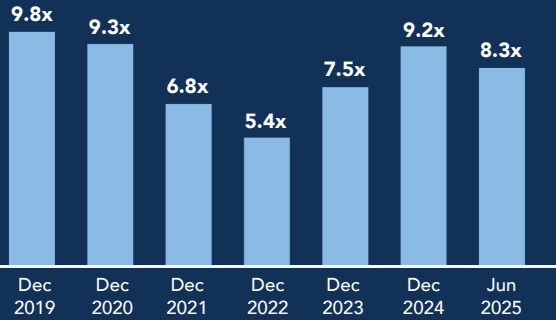


Average Public Dealership Group Stock Price



Source: Yahoo Finance, NYSE

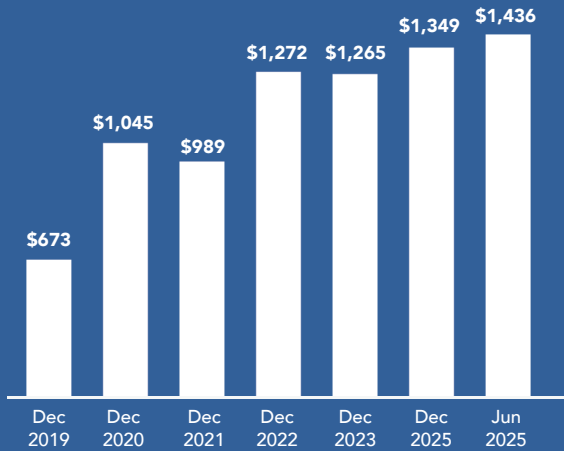
Average Public Dealership Group EV/Adjusted EBITDA Multiple



Source: Public dealership group regulatory filings, Presidio analysis

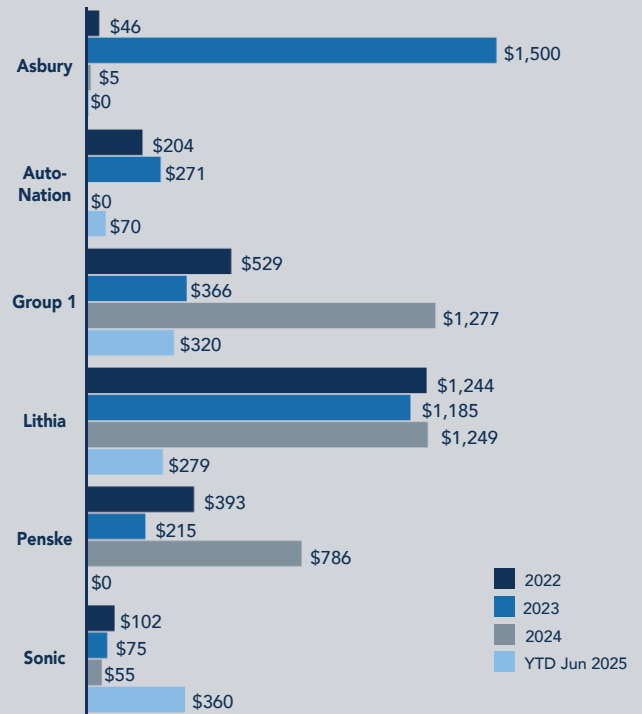
Average Public Dealership Group Liquidity Level

(\$ in millions)



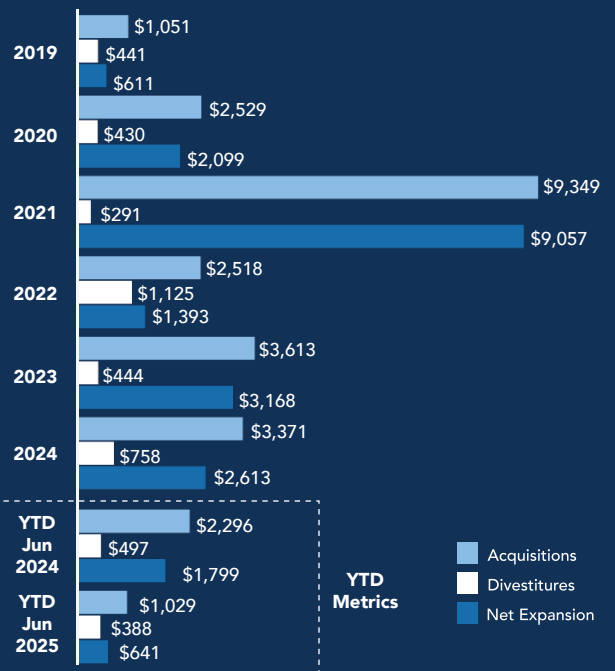
Source: Public dealership group regulatory filings

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



Source: Public dealership group regulatory filings

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



Source: Public dealership group regulatory filings



Offering more affordable vehicles comes down to brand

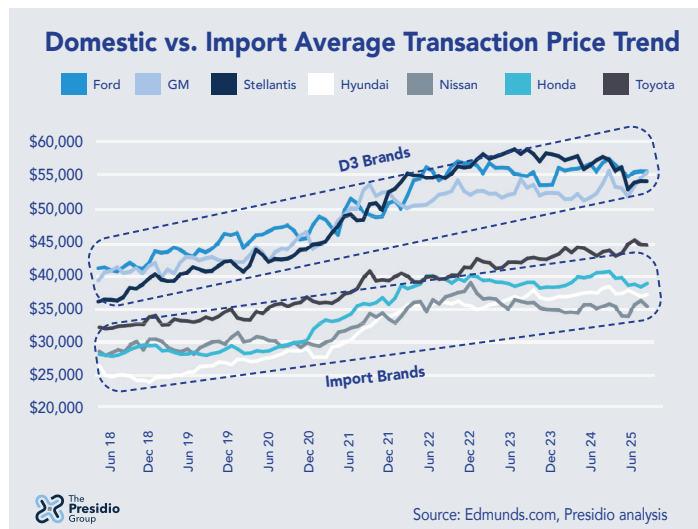


Kevin Tynan

Director of Research
The Presidio Group

Affordability has been an increasing concern of dealers as the average U.S. new-vehicle transaction price has soared 44.6% to \$48,907 since the market's peak volume year of 2016. In the Presidio Midyear 2025 Dealer Direction Survey, 58% percent of dealer respondents named it one of their top near-term headwinds. That made it survey takers' No. 1 near-term concern; it's been either No. 1 or No. 2 over Presidio's last five surveys.

While average vehicle prices rose 24.9% between March 2020 and May 2023 during the coronavirus pandemic, the affordability challenge has been building for far longer. Automakers have spent more than two decades adjusting their U.S. product mix to maximize profitability in an orchestrated shift away from affordable, high-volume vehicles. That strategy shows no sign of reversing as many automakers — primarily the domestic-brand manufacturers — have outright abandoned the entry-level and move-up segments given their inability to build both competitive and profitable vehicles in those categories.



For dealers, that means the affordability of their new-vehicle offerings is dictated by the brands they represent. Franchised dealers focused on Ford, General Motors and Stellantis' portfolio of brands have little chance of getting low-priced nameplates that measure up to the quality and content of Asia-based competitors. Dealers with a more diverse mix of brands that includes the Asian imports offer a wider range of affordable vehicles to their customers. Such diversity helps dealers meet the needs of a broader customer base as the affordability challenge continues.

By maintaining a portfolio that includes both domestic and import brands, dealers serve a wider variety of customers and adapt more effectively to shifting consumer demand and broader market conditions.

Automakers focused on profits, not a vehicle in every driveway

The production strategy of automakers selling in the U.S. is primarily to build vehicles that generate sufficient revenue to cover their cost of goods and fixed and variable expenses — in basic terms, vehicles that generate operating profit. The lead time for design, engineering, production and going to market is long enough that a volume target can be very disconnected from the organic demand for a specific vehicle over time. Scaling volume to keep cost-absorbing production rolling is not uncommon. But all vehicles built must sell. That can lead to automaker and retailer discounting beyond what's good for the nameplate or brand.

To an automaker, total new-vehicle volume is only one input of the unit economics, and it ignores the income statement impact of creating a buyer. Based on a myriad of inputs — from geopolitical and macro- and microeconomic considerations to the inventory level at dealerships — the profit profile of vehicles is always fluid. When supply and demand are mismatched, those short-term incentives and discount programs are typically a manufacturer's first move. When those methods prove ineffective, production cuts and structural cost reductions become the next and more expensive route.

This profit-first strategy has driven transaction prices higher

as automakers lop off the low-priced and typically less-profitable portions of their portfolios to concentrate on high-margin vehicles. Pickups and SUVs are the core products in the earnings-first business model. The 2025 U.S. new-vehicle market is 82.3% light truck, a 32-percentage point increase since the market was last evenly split in 2013. That richer truck mix has pushed the average transaction price 48.2% higher since 2015 as automakers worked to offset a structurally lower-volume environment by producing more high-revenue, high-profit-contribution vehicles. As that highly planned and orchestrated effort by automakers continues, given their large fixed-cost structures, dealers will have fewer affordable vehicles to sell.

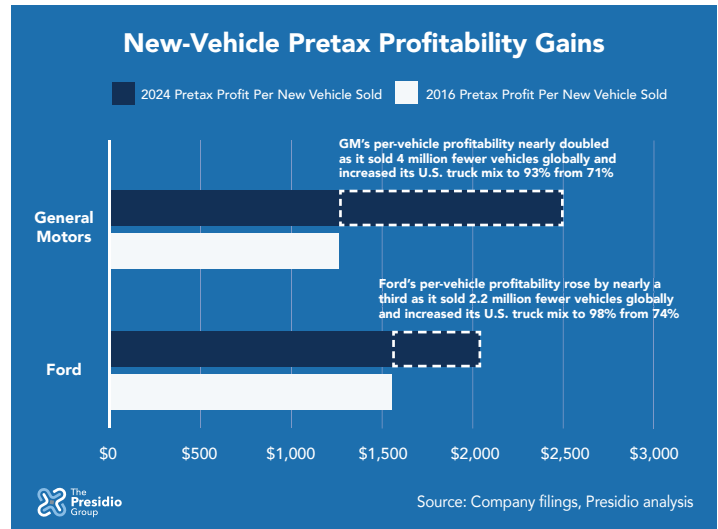
Abandoning unprofitable vehicles and markets is good for earnings

Ford and General Motors have generated higher profits by selling fewer vehicles domestically and globally. Their move to higher-margin light truck nameplates in the U.S., along with a reduced presence in highly competitive foreign markets, has helped those two domestic automakers improve the quality and stability of their earnings while muting inflationary pressure and volume challenges across multiple and varied markets.

Total global volume for Ford and General Motors peaked in 2016, with GM selling 10 million vehicles and Ford 6.7 million vehicles. Pretax profit per vehicle in 2016 was \$1,286 at GM and \$1,537 at Ford. By 2024, both automakers had significantly trimmed operations in international markets. GM's global vehicle sales fell to 6 million and Ford to 4.5 million. Yet, the lower volume and mix shift was a boon to profitability. GM's pretax profit per vehicle nearly doubled during that time, while Ford's rose by nearly a third. GM's light truck mix in the U.S. surged to 93% in 2024 from 71% in 2016, while Ford went to 98% from 74% over the same timeframe. They traded millions of international vehicle sales for significantly stronger profitability largely from their truck-heavy sales mix in the U.S.

Domestic brands have ceded the entry- and move-up segments to Asia-based competitors that get closer to breakeven on low-priced vehicles. Those Japan and South Korea brands are more willing to absorb the loss on an entry-level sale because they expect a customer's positive dealership interaction and vehicle ownership experience to create brand loyalty and lead to profitable future purchases.

New-vehicle dealers should understand that the profit



strategy goals of high cost-structure automakers — typically the U.S. and European brands — have shifted away from the rat-race of perpetually more volume and market share that can absorb ever-inflating cost structures. Automakers cannot keep up with a chronically bloated enterprise and are focused on reducing capacity and production costs rather than trying to outrun them with more scale. Franchised dealers, knowing that producing affordable vehicles has become a direct conflict with the profitability of their automaker partners, should be ready to adjust to the new dynamic of fewer new vehicles sold, but at higher prices.

The franchised dealer base in the U.S. has proven smart, resilient and nimble enough to weather structural and strategy reversals by their automaker partners. Constantly increasing input and manufacturing costs hamstringing automakers' ability to offer affordable vehicles in the U.S., and dealers should not wait for those automaker partners to reverse their current strategy and execution now more than two decades in the making. By remaining agile and focusing on strategies that enhance their own value proposition, dealers can navigate changes in direction taken by their automaker partners.

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.

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. Presidio Managing Director Jason Stein 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:



Penske Corp. Chairman
Roger Penske

PRESIDIO: The Penske philosophy on teamwork and people is that it's hard to get in and it's harder to leave. One of your philosophies is that anybody can go to your home or your office, right?

RP: Everybody in your business is important. When you take that into consideration, it makes a huge difference. I want to let people know we have an open book here. I want to hear the complaints. I like to go to the pre-meetings. Don't bring me to the final meeting if you made the decision. Why the hell do you need me to show up and maybe change something? Let me be part of the process. That's made a big difference — this openness, this transparency, this flat organization.

That guy driving the race cars into Indianapolis in that big truck, millions of dollars' worth of equipment and expertise, he's very important. Don't forget him. Sure, the guy drinking the milk and everything else, he's got to be there, too. But it's all about this execution, certainly at the lowest level.



Amazon Autos
Director Matt Nuffort

PRESIDIO: If we were to project out a year from now, what does success look like for Amazon Autos?

MN: Number one is happy customers. That's something that everybody wants. The car manufacturers want it, the OEMs want it, the dealers want it, and Amazon wants to provide that.

So if customers are happy with the experience and it's more convenient for them, [that's] great. That's for the set of customers that want to buy online, right? We recognize not every customer wants to buy a car online. And then [we want to know] dealers are happy. For dealers to be happy, they need to be selling cars, it needs to be profitable, and it needs to be low effort.

Those are all areas that we're working on. Giving dealers more options to sell more cars and to do so profitably. And then the level of effort is also a key area that we're actively working on. So if all of those things are true in a year, we'll be quite happy.



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

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Dealers Association (NADA)



Jay Vijayan
Tekion

OTHER NOTABLE GUESTS:



Mike Maroone
Maroone
USA



Daryl Kenningham
Group 1
Automotive



Damian Mills
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David Hult
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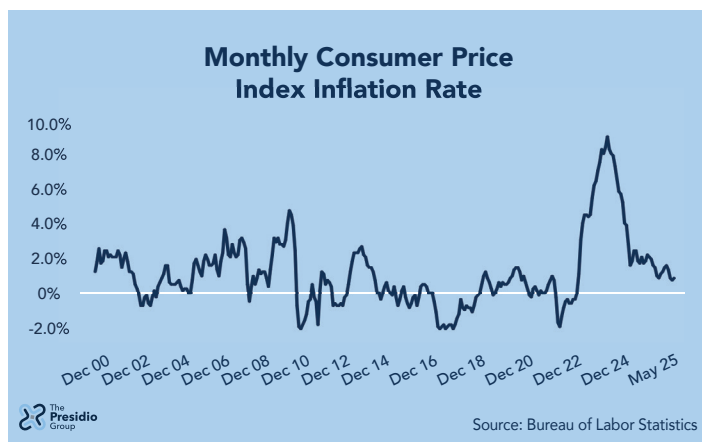
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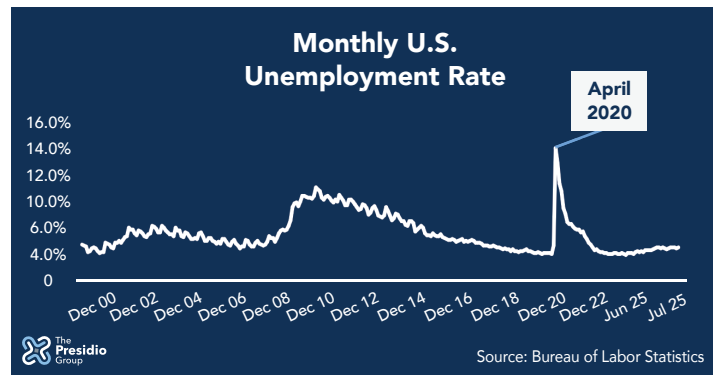
Higher costs may pressure new-vehicle volume in the second half of 2025

More clarity on U.S. electric vehicle policy and, to an extent, tariffs has reduced uncertainty and removed artificial market conditions from the domestic auto industry. That provides a clearer view of the organic macroeconomic landscape for second-half 2025, with a more natural supply-demand balance likely across many industries. Consumers face inflationary conditions even as additional tariff agreements are reached. Shifting production to higher-cost domestic manufacturing will likely increase consumer prices. Vehicle pricing and margin dynamics should be firmer in future quarters and more stable for manufacturers, though higher consumer prices likely will mute total demand, putting dealerships on alert to continue aligning their costs to sales and service volumes.

For now, inflationary pressure on consumer prices is mild with added costs largely absorbed by producers instead of passed along to retail buyers. The U.S. Consumer Price Index ticked higher to 2.7% in June and is trending in a range higher than pre-coronavirus pandemic. Still, it is well below the pandemic-era spike ranging from 4% to as much as 9.1% between April 2021 and May 2023.

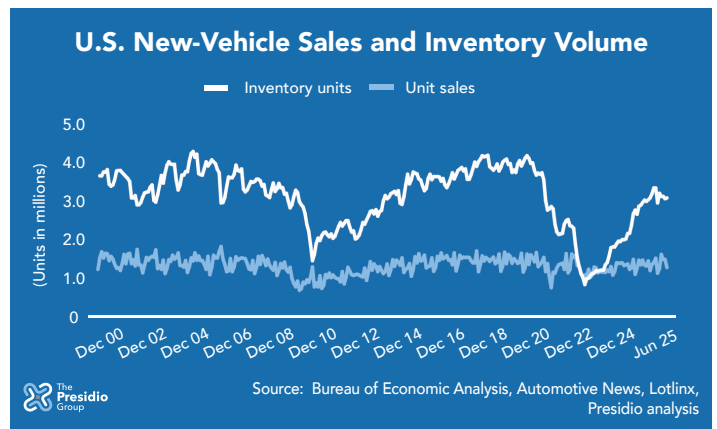


How tariffs affect auto prices boils down to how cost hikes are shared among automakers, retailers and customers. General Motors projects tariffs will be a \$4 billion to \$5 billion hit to 2025 earnings. It seems GM and other automakers are absorbing the higher expense in 2025 but are unlikely to



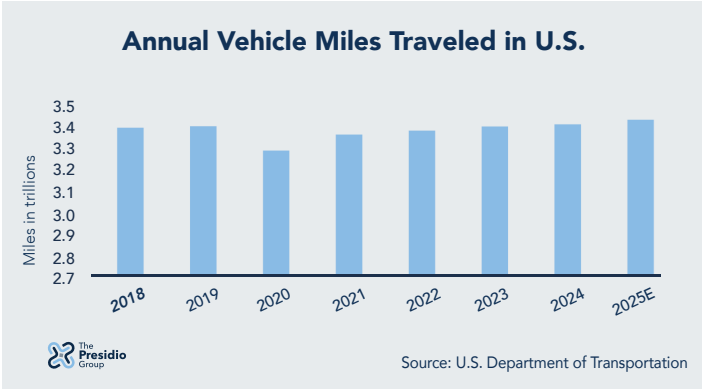
assume all financial responsibility for long. The result, if automakers share higher costs? Likely higher vehicle prices for car buyers and potentially lower sales volumes.

Consumer resilience is now critical to the U.S. macroeconomic landscape. The specter of higher prices goes beyond auto, and a higher overall cost of living pressures consumption of all goods. U.S. employment growth weakened in July, and the unemployment rate rose 100 basis points to 4.2%. That rate has been fairly low and steady, not rising above 4.2% since October 2021. That has contributed to the Federal Reserve’s rationale for holding interest rates steady — though the cool July jobs report could be a counterbalance when the central bank meets again in September to evaluate a possible interest rate cut. As tariff policy firms up, more U.S. manufacturing investment



is likely. Trade partners are feeling the pressure of lower shipments to the U.S.; that could alter pricing strategies as manufacturers try to hold margin. Tariff certainty should boost utilization of existing U.S. capacity across industries, helping U.S. employment and likely perpetuating pricing pressures.

U.S. car buyers saw unprecedented price inflation during the pandemic when new-vehicle stock dropped from 4-plus million units in 2019 to fewer than 1 million by late 2021. Today's environment is not so supply constrained. Inventory at mid-2025 has stabilized around 3 million units. Proposed tariff hikes pulled demand forward this spring, putting average monthly new-vehicle sales volume through the first half at 1.35 million units. That tops the average of 1.29 million since 2001. The combo of lower supply and

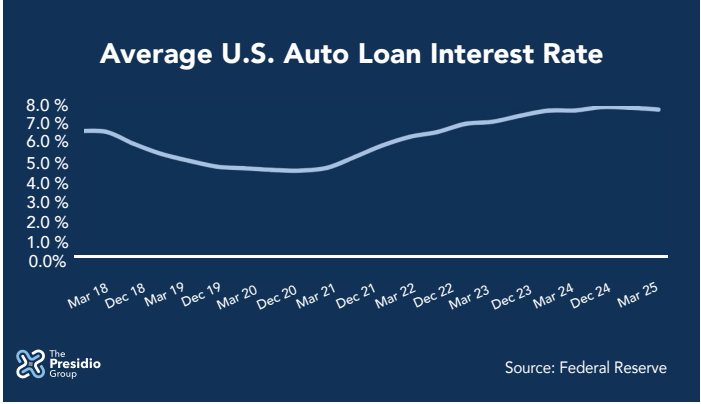


stable volume promotes firm pricing and margin integrity for retailers. Tight supply-and-demand balance may put some new-vehicle buyers on the sidelines in 2025. Going forward, such a balance could also promote — albeit to a smaller degree — the dynamics of 2021 and 2022, the most profitable period in history for dealers.

Should rising prices further tighten supply balance in 2025's second half, volume will be at risk. Buyers are more tentative now than during the pandemic when isolation and remote work diverted transportation costs, enabling spending in other areas.

As vehicle prices and interest rates rose, so did the average monthly U.S. new-vehicle loan payment — now \$745, per Experian, up from \$569 in 2020. Commuting, repair and maintenance costs have rebounded post-pandemic. With such factors weighing on large purchase decisions, consumers' spending fervor is far below early pandemic levels.

The new 30-plus day auto loan delinquency rate continues to be high at 8.0% in 2025's first quarter. Compare that with 6.9% in 2020's first quarter, before the pandemic set in with lower transportation, travel and entertainment spending.



With more consumer cash available to cover rising loan payments, new delinquencies fell to 5.0% by 2021's third quarter and stayed at low-to-moderate levels into 2023. That rate didn't surpass 8% until 2024's third quarter.

In addition to costlier loans, consumers need more vehicle repair and maintenance as miles traveled in the U.S. keep rising, with a third consecutive record year likely for 2025.

Add in higher car insurance premiums and parts-and-service expense inflation, and the total cost of vehicle ownership in 2025 is more burdensome. The average auto loan amount financed was \$41,720 in 2025's first quarter, compared with \$33,739 for the same period in 2020. Higher loan principal also is being repaid at interest rates well above 2020 levels.

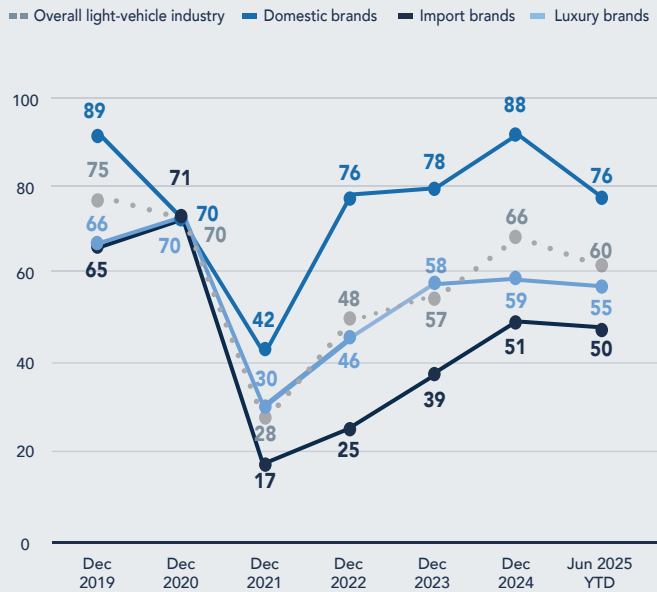
Tariffs could constrain new-vehicle production in the near term, gradually tightening supply. That likely would boost revenue and profit contribution for dealerships representing brands with meaningful domestic production. As government involvement retreats, retailers have the opportunity to align their cost structures to support potentially lower new-vehicle volume at higher transaction prices.

Franchised dealers stand to get some financial relief from new electric vehicle regulations that ease the burden of stocking higher-priced EVs into a market in which organic demand remains tilted to combustion-engine vehicles. The new policy could also help automakers offer products at lower price points as they won't need to offset losses on EVs produced to satisfy emissions and fuel economy targets.

Ultimately, however, macroeconomic conditions and tariff hikes mean higher transportation cost for consumers even when trade deals with all countries shipping vehicles into the U.S. are finalized. As vehicle prices and ownership costs continue to rise, the resulting challenge for U.S. consumers will be the highest hurdle for automakers and dealers to clear to maintain sales volumes for the rest of 2025.

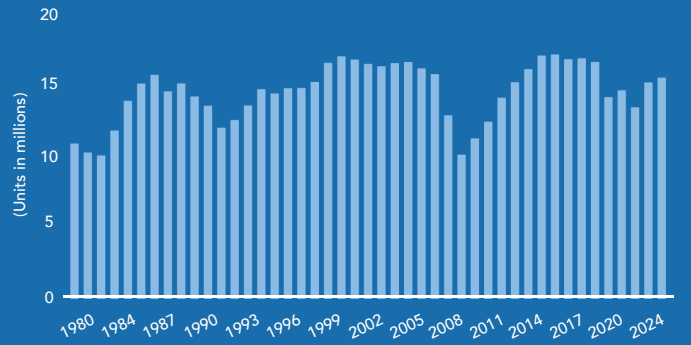
Presidio Data Library

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



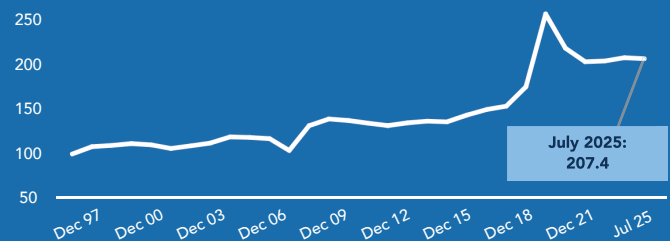
Source: Edmunds.com, Cox Automotive, Presidio analysis

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



Source: Automotive News, Presidio analysis

Manheim Used Vehicle Value Index



Source: Cox Automotive

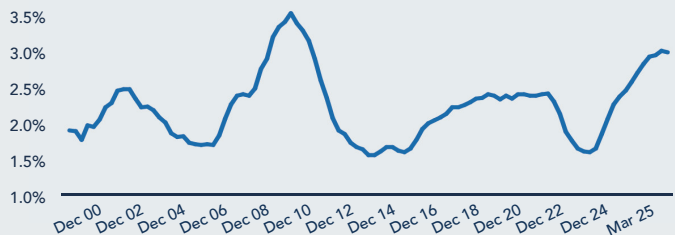
Total U.S. Auto Loan Balance

(\$ in trillions)



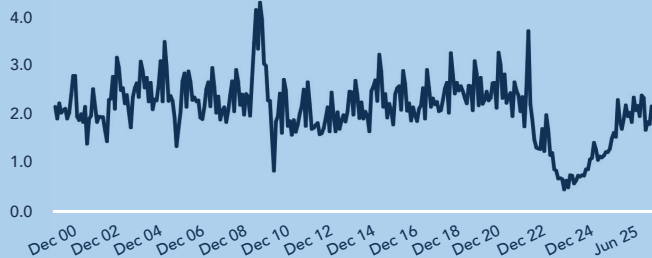
Source: FRBNY Consumer Credit Panel / Equifax

U.S. Auto Loan 90+ Day Delinquency Rate



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

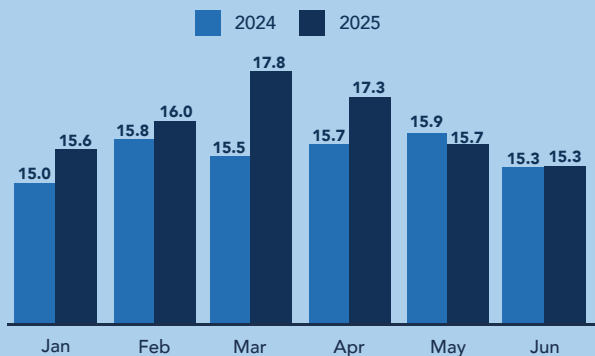
New-Vehicle Inventory-to-Sales Ratio



Source: Bureau of Economic Analysis, Lotlinx, Presidio analysis

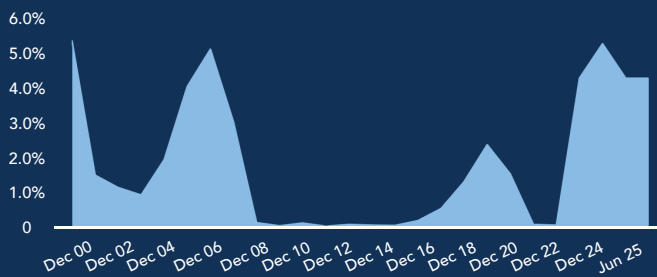
U.S. Auto Sales Total Annualized SAAR

(\$ in millions)



Source: Wards Intelligence

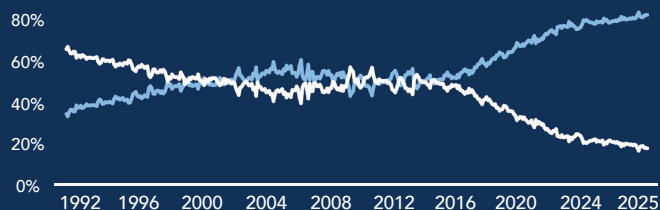
U.S. Federal Funds Effective Rate



Source: Federal Reserve Bank of New York

U.S. Light-Vehicle Mix

Car Truck



Source: Bureau of Economic Analysis

Average New- and Used-Vehicle Transaction Price

(\$ in thousands)



Source: Edmunds, CarGurus, Cox Automotive



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

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



Cox's Marianne Johnson: Don't get left behind in dealership tech transformation

Technology, especially artificial intelligence and agentic workflows, will reshape dealership operations and the customer experience in "orders of magnitude" greater than ever before, Cox Automotive's Marianne Johnson projects.

Every role in the dealership will be affected, causing some positions to evolve significantly and others to disappear entirely as automation and AI become more deeply embedded in daily operations, said Johnson, Cox executive vice president and chief product officer. But human involvement will remain essential — the creativity, oversight and higher-level thinking of employees will be critical to ensuring responsible and effective use of the new tools, she said.

Advancements are happening at "warp speed," said Johnson. She particularly noted the development of agentic AI, which goes beyond generative AI and promises to automate workflows with the AI function doing the planning and reasoning and then using tools and executing tasks. The approach is barely more than a year old.

"I don't know how we're all getting some sleep. If you've not started engaging, please engage," she said. "Leadership of the future is going to look different, and how you run

your business is going to look different."

Johnson spoke with Amy Wilson, director of publishing for The Presidio Group. Here are edited excerpts of their conversation:

How broadly is technology positioned to transform dealership operations and the customer experience?

It is orders of magnitude for every industry, automotive as well. It's a mixed bag across the industry, because you've got a lot of fragmentation. You have different companies at different levels of maturity. Forget AI for a minute. Just think about cloud readiness and being digital. But the exciting opportunity around that is, you don't have to be completely digital to be able to take advantage of what is possible now, with the advances in generative and agentic. It will be faster and easier if you have your data house in order and you already are cloud native.

You have deep experience in both tech and auto. How would you rate the transformation potential that exists now compared with your previous years in the business?

What is happening now is at a warp speed. We're seeing changes in model development and the abilities of large language models and agentic workflows every two weeks. A large language model can learn the equivalent of a human learning year in 30 minutes. That's not going to do anything but increase as compute [speed] increases and more data is made available. That then changes the game around how fast you can get a recommendation and outcome. We are definitely not at the max. We're seeing exponential innovation happening in front of our eyes.

And it's going to speed up. A model [will] solve a problem much faster and find multiple ways to solve a problem. Every role a human does today, you have to step back and



***"Life [is] changing around you.
Lean in, don't wait."***

— Marianne Johnson, chief product officer
at Cox Automotive

TECH TRANSFORMATION

Dealerships continue to lean further into tech tools to improve efficiency and the customer and employee experience. Artificial intelligence is emerging as a critical differentiator.

- Number of dealerships offering every purchase step online has **doubled** in the last two years
- Buyers engaging with chatbots report a **57%** improvement in their dealership experience
- **78%** of dealers using an omnichannel approach say digital retailing tools improve their deal close rate vs. 51% of other dealers
- **67%** of dealers using an omnichannel approach say digital retailing tools help gross profit vs. 46% of other dealers



Source: 2024 Cox Automotive Digitization of Automotive Retail

say, “How do the capabilities that are now available change that role?” There are jobs that used to exist 50 or 100 years ago that don’t exist anymore because technology does it for you. But then the human is innovative, and they create a different way to take it to next-level innovation.

How should dealers and auto retail tech companies be thinking about AI implementation?

It is really about what your end consumer is going to expect. The ease of use to research any opportunity or any problem is going to be in everybody’s daily [life]. I’m going to have an assistant doing that work for me and making recommendations based on my lifestyle, my personal preferences, where I live, what stage of life I’m in, what can I afford. That’s going to do the shopping for me. It might even make the appointment for me. Might send me the link to purchase. It’s going to change consumers’ digital footprint, and the industry needs to shift with that.

How should dealers adapt how they run their businesses?

Your ability to be more efficient is going to change your margin profile, allow you to invest differently, allow you to better assist your customers. [It will change] all aspects of it. If you think about things you can do now with a chat — a technician can be asking questions with a headset while fixing a vehicle, and maybe more accurately. Computer vision allows a virtual experience, whether utilizing it internally or exposing it to your end customer. All of these things will change how a job is done. It could be an F&I manager, a technician, the accountant in the back office. Everywhere you have repetitive tasks and you have information available, you can make the way in which you learn and execute that task much more effective and speedier. There will be activities that I think won’t be done in the dealership in the future because the step has happened automatically.

What is an example of something that might leave the dealership?

The first one that comes to mind is customer support and interactions — if you give me a virtual assistant that knows me and I can get information I need without ever talking to a human but the interaction feels personalized. The number of people providing personalized assistance for the customer, that’s going to change. BDC roles are going to change.

These models don’t sleep. If you need something done throughout the night, it can do that. Lead follow-up, sales follow-up? That’s going to change. The number of service advisors you might need? That’s going to change. The

number of software engineers they need? That’s going to change. Every single role in a dealership will change to some degree. Some will go away. Some will have time to do higher-value activity and be more productive.

How long of a runway do we have before such change?

Everything is literally right now. We’re putting things into production for our customers right now that are giving them the lift. We’re seeing significant change in communication protocols with large language models, with consumers engaging at a higher [level] and the sell-through rate being higher.

You need to be moving now. There’s a phrase, “If you’re not leaning into AI, you’ll be working for somebody who is or you will not be working.” A year from now when we talk, I think things will have moved farther than we ever thought [they could].

How does agentic AI work and how will dealerships use it?

Artificial intelligence is where any program can mimic a human solving a problem and learn. Agentic is where you have an artificial intelligence agent autonomously executing

complex tasks without step-by-step instruction. This agent is learning patterns and doing logic to say, “OK, based on this pattern, this is the next best action,” and it can take the action. You can inject things inside of that to say, “Stop here,” or have a human in the loop to review before you take the action.

What I’m recommending and where we’re going is a risk-based model. If you have tasks and activities that are no risk for the agent to take, let it take it. Send that consumer that information they asked for.

Where [agentic] gets super powerful is the amount of data you can feed it and the number of agents that you can have. An emerging thing we have in production now [is] an orchestrator agent. You have an orchestrator looking at the information and making sure all agents are doing the tasks. You could have each area of a dealership have its own agent engaging on the behalf of internal and external customers. It could be a service agent, a consumer interaction agent, a digital retailing agent. As many things as you can let the agent handle, you can, and then you can have a breakout loop. So when you need a human in the loop, you can engage.

How do you ensure these tools are reliable and what are the risks if they make a mistake?

We’re seeing improvements every week. The research models coming out are very, very powerful, and they’re sourcing their information. You could [have the agent] check to validate things for you so you can figure out what your trust level is. Human in the loop is a good step for a lot of things that we do, to retain creativity, to retain higher-level thinking and the value add. We’ve seen massive improvements on the models getting better and more accurate. The skill is going to be learning how to do proper prompting to get a good response back.

One thing about agentic thinking is [you can ask] an agent look at all five steps [in a process]. Maybe it redesigns the process [to] three steps. At Cox, we have an AI governance framework [that we continually] augment to add more discipline before putting agentic workflows into your systems. If you’re delivering value to your customer, you better make sure the outcomes are just as good, if not better — that you didn’t introduce security risk.

You have to have controls and governance around what you do. Much like anything else in life, you still have to

have structure and discipline around it, so that you’re responsible and that you deliver the right service with the right level of trust.

Dealers want more comprehensive tech stacks integrating the most advanced tools from fewer providers. How is the auto tech space evolving to give them this?

The automotive ecosystem is very fragmented with providers. Cox has a lot of services that are connected. You have point solutions in the market. You have some providers trying to provide one monolithic platform. The answer really is in the middle. If you start throwing in a bunch of individual agentic startups, you’re going to fragment further. If you go all in with one provider, you create the monolith of the past, even if digitally based, and you could miss opportunity.

I’m biased, but I think we’re in a good spot from a standpoint of having composed solutions at scale with differentiated data and being on the forefront of the cutting edge with [partner] companies. It goes back to, do you have the discipline and do you have the expertise?

We’ve talked for decades about the DMS being the heartbeat of the dealership. What does this change mean for the future of dealership management system and customer relationship management platforms?

If you look at the ecosystem of a dealership, from service to new car to used car to F&I to the BDC, they’ll still have a core financial system. How that work gets done and how you pull in the data and how you pull in agentic workflows is going to make that easier and more seamless — if it’s done well. For CRMs of the future, you’re always going to need to know who your customers are and manage the points of interaction, but the points of interaction are going to change. So the way it looks and feels is going to be very, very, very different. It might not be a person having that interaction with [customers]. The core fundamentals of what [the platforms] do have to be there. The work itself changes.

What else do you want to tell dealers about this transformation?

Life [is] changing around you. Lean in, don’t wait. Be intentional, be responsible. It’s amazing, [but] it also has risk involved, and we want to make sure human creativity is in it.

RECENT AUTO TECH TRANSACTIONS

Acquisitions, investment focus on AI, logistics, mobility, wholesale, DMS, service and payments



March 2025: FM Capital, a venture capital firm focused on transportation, raised **\$240 million** for its fourth venture capital fund to invest in startups focused on automotive retail and other auto sectors, including autonomous and connected vehicles. Cox Automotive and Holman were among the fund’s 125 investors, along with 56 dealership groups representing 1,100-plus stores.



April 2025: Plug, an electric vehicle wholesale online auction platform, raised a **\$6.7 million** seed round to support company growth and software development. The round was led by AutoTech Ventures, Floodgate Fund and A* Capital. Other investors included Toba Capital; Simon Rothman, founder of eBay Motors; and Yossi Levi, founder of Car Dealership Guy.



May 2025: Vehlo, an auto repair industry technology provider, acquired **Dealer Pay**, a dealership payment processing software company, from the Beekman Group for an undisclosed amount. The acquisition expands Vehlo’s reach into dealership service departments.



June 2025: Toma AI, an artificial intelligence platform automating phone calls for dealerships, raised **\$17 million** in a Series A round of funding to expand capacity and speed deployment of AI agents at client stores. Venture firm Andreessen Horowitz led the round, with participation from Y-Combinator, Flex Capital and angel investors such as Yossi Levi, founder of Car Dealership Guy.



June 2025: Fleetworthy, a fleet and logistics software company, acquired **Haul**, a provider of AI-powered compliance and safety automation technology for commercial fleets, for an undisclosed amount. The purchase expands Fleetworthy’s offerings and supports its efforts to provide more capable and efficient compliance tools to the transportation industry.



June 2025: AutoAcquire AI, a used-vehicle acquisition and inventory management platform for dealers, raised **\$5 million**, including \$4 million from undisclosed angel investors to help accelerate growth of the AI-powered platform and expand its sales and customer onboarding.



July 2025: Vehlo, an auto repair industry technology provider, acquired **Total Customer Connect** a customer retention and service marketing software company, for an undisclosed amount. The purchase adds new service lane, retention, advanced marketing and customer relationship management software to Vehlo’s expanding suite of dealership technology offerings.



SERVICE UP

July 2025: ServiceUp, a vehicle repair management software provider for fleets and insurance carriers, raised **\$55 million** in a Series B round of funding that will be used to expand employee count, enter new markets and accelerate software development. The round was led by PeakSpan Capital. Hearst Ventures, Trestle Partners, Capital Midwest and Liquidity Ventures also invested.



July 2025: Pinewood Technologies Group, a United Kingdom dealership technology provider, acquired **Lithia Motors’** 51% stake in the companies’ North American joint venture for **\$76.5 million**. Pinewood now fully owns the venture and aims to accelerate adoption of its DMS software in the U.S. The deal includes a five-year DMS contract for Lithia’s U.S. and Canadian dealerships.



EV policy whiplash affects automakers and the franchised dealer base, too

While largely welcomed by franchised dealers, the federal government's rapid pivot on U.S. electric vehicle policy nevertheless is creating disruptive waves in the auto industry that retailers will have to manage over the coming months and years.

Some of the uncertainties dealers are now grappling with include near-term issues like how many new EVs to keep stocked on their lots between now and Sept. 30, when the \$7,500 federal tax credit for EV buyers expires or which EV nameplates at what volume to order after that subsidy ends. Then there are longer-term issues: How will the major disruption to automaker product development plans affect their operations when product cycles stretch out, creating a notable slowdown in the introduction of both fresh EV and combustion-engine vehicles? And will there be more policy whiplash in four years when a new presidential administration is installed?

"There will be a significant slowdown in fresh product coming to dealerships and to the market over the next several years because of this," said Michael Robinet, vice president of forecast strategy at S&P Global. "It's a lot of

wasted capital and resources not only for the supply base and OEMs, but at some point [for] the dealer getting ready for all that volume."

In addition to the elimination of the tax credit, recent measures led by the Trump administration also include revoking former President Biden's target of 50% of U.S. new-vehicle sales being zero-emission options by 2030; repealing fines for automakers not meeting federal fuel economy standards; and eliminating California's EPA waiver that allowed it to set vehicle emissions standards more stringent than the national rules.

Kevin Tynan, director of research for The Presidio Group, said franchised dealers will have to push harder to get inventory to a manageable level by the end of September. Dealers had about 178,000 battery electric vehicles in stock at the end of June, a comfortable 44-day supply using the second-quarter BEV sales rate, he said.

"Incentives and discounting should be strong," Tynan said. "Consumers considering BEVs will likely jump in before the tax credit expires and every unit becomes \$7,500 more expensive. The third quarter will be the final heavily subsidized quarter for BEVs, and the supply-and-demand landscape will change precipitously in the fourth quarter and into 2026."

Compounding the EV uncertainty is the evolving landscape of U.S. tariff policy. While President Trump's promised tariff increases are already taking effect, final terms are still being negotiated with many countries. Where tariffs ultimately settle will drive more changes and disruption to vehicle production plans and product pipelines.

With the sweeping changes around both EVs and tariffs still playing out, the only certainty is that the path forward will be far more disruptive than what dealers had planned for just a few years ago.

Though they've long argued for more flexibility and a demand-driven approach to EVs, some retailers tried to



"There will be a significant slowdown in fresh product coming to dealerships and to the market over the next several years because of this."

— Michael Robinet, S&P Global

mitigate that disruption by seeking to moderate the recent changes. The National Automobile Dealers Association, the American International Auto Dealers Association, CarMax and Carvana, among others, lobbied lawmakers and the White House to keep the tax credits or at the least to phase them out over a longer period.

Product void?

The regulatory measures and a sharp slowdown in EV sales growth rates have pushed automakers to rethink their product pipelines.

Robinet estimated that 42% of the industry's BEV product programs have been canceled in the last year. Another 20% have been somehow altered. And it's not just EVs. Development work on internal combustion engine vehicles was slowed or halted when the focus was on EVs, so product cycles for those vehicles will be lengthened, too.

Disappointing return on investment on electric drivetrain technology will not force automakers to completely abandon the EV initiative, Tynan said. "But it will require a ramp in financial resources devoted to existing internal combustion platforms," he said.

Mike Maroone, a dealer with stores in Florida and Colorado, expects up to a four-year delay in new non-EV products

"I have a deep concern about the product void," he said.

In the meantime, with the tax credit ending and higher tariffs looming, Maroone is making adjustments to manage the wind down.

"Now that the federal subsidies are vanishing, we've slowed our ordering of EVs given the uncertainty around pricing and incentive support," he said. "Our EV sales today have limited, if any, profitability. We are working aggressively to minimize inventory until we get more clarity on customer demand and OEM support."

After Sept. 30, Maroone plans to be careful about how many EVs his stores order and favor the models best positioned to sell, whether because of price or design or both.

Automakers' strategies are quickly evolving. For instance, EV production at Mercedes-Benz's Alabama plant is slated to drop by nearly 55% between August and December, in a direct response to softening U.S. demand and the looming end of federal tax credits, *Automotive News* recently reported. The luxury brand has paused U.S. orders for its EQS and EQE electric models and will stop producing them for the U.S. on Sept. 1 to shift focus to EV



"Dealers have invested a lot of money already in EV charging and sales and service infrastructure [that] may or may not be fully utilized."

— Jeremy Beaver, CEO of
Del Grande Dealer Group

exports and gasoline-powered models.

Dealer executives across the industry are watching the situation closely and adjusting strategy in real time.

Richard Shearing, COO of North American operations for Penske Automotive Group, said Penske and the automakers supplying it are both incentivizing EV sales during the tax credit wind down. The aim is "to have the least amount of inventory in that time frame as possible," he said in late July. Penske stores already lowered EV supply from around 12% to 15% of their inventory a year ago to about 10% now.

AutoNation CFO Thomas Szlosek said its stores' battery-electric sales volume rose 20% last quarter, "reflecting OEM actions with incentives and some pre-buying ahead of the termination of government incentives."

Jeremy Beaver, CEO of Del Grande Dealer Group in Northern California, said he doesn't want to be caught with a high oversupply of EVs after Sept. 30 and so is watching the supply-demand data closely and focusing on what the dealership group can control. Del Grande's market area is one of the strongest in the country for EV sales, "so I expect a little more heightened demand over the next 60 days here," he said.

Investment mismatch

Dealers have collectively invested hundreds of millions of dollars into the EV transition in reimagined showrooms, new charging stations, upgraded electrical infrastructure, new tools and equipment for service bays and training

for sales and service employees. While future investment will come down with the policy changes, the expenditures already made are a sunk cost for dealers.

“Dealers have invested a lot of money already in EV charging and sales and service infrastructure [that] may or may not be fully utilized,” Beaver said.

Inga Maurer, a senior partner specializing in automotive retail at consulting firm McKinsey & Co., said dealers surely will be more cautious about investment asks in the future.

“If you could turn back time, I’m sure most [dealers] would not have made that investment,” Maurer said.

After pouring many billions of dollars into an EV shift that’s now being slowed in the U.S., the entire industry will be extremely careful about how it invests its capital over the next decade “because of the risk of more whiplash and having waste like that again,” Robinet said.

Maroone called the spending “a wasted generation of capex.”

While the recent changes restore some operational flexibility to dealers to scale their investments to organic demand for EVs, much uncertainty remains about the far-off future.

Whether today’s retreat from EVs in the U.S. will last is anything but clear — it could change again after the 2028 election when a new president is chosen to replace Trump.

“There’s already been whiplash from a regulatory standpoint for the industry. There’s nothing saying [current policy will hold] four years from now when the administration itself will change,” Maurer said.

That’s where dealers’ perpetual resilience and optimism comes into play.

There’s not much dealers can do at their level about the uncertainty, so Del Grande’s team tries to focus on what they can control, Beaver said.

“We’re gonna figure it out,” he said. “The dealer always figures it out.”

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