

Presidio Perspectives:

A Quarterly Outlook on Auto Retail and M&A Trends

THIRD QUARTER 2025



AUTO EXPERTS. DEAL EXPERTISE.

Helping dealers buy and sell dealerships since 1998.

The professionals at Presidio
have completed

295+

automotive transactions

The professionals at Presidio
have completed nearly

\$20.0B

in deals

Presidio's Dealership M&A
Team has advised on over

275

dealership franchises

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Robust M&A persists as profits improve in Q3

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

Profitability for the average franchised dealership continued to stabilize in the third quarter of 2025, though the pace of earnings growth slowed compared with the second quarter. Dealership M&A activity remains robust. This quarter's highlights include:

- The Presidio-NCM Average Dealership Profitability Index reached 195 as the average U.S. dealership's pretax profit rose 12.5% during 2025's first nine months
- Average adjusted net income for public dealership groups rose 6.6% in the third quarter
- Presidio estimates 320 dealership transactions involving 445 stores occurred during the first nine months of the year, a pace roughly on par with the same period in 2024

The Presidio Group remains active in supporting its clients, closing 15 transactions during the first 10 months of 2025. Twelve of those involved dealerships trading hands, pushing the firm's all-time franchise transaction count above 275.

"The dealership M&A market has continued to gain momentum throughout 2025, and we don't see the pace slowing down," said Presidio President George Karolis. "We continue to see a trend toward active portfolio management among sophisticated leadership teams positioning their dealership groups for long-term strategic growth."

As dealers pursue innovative ways to grow, cut costs and enhance customer experience, technology breakthroughs, including artificial intelligence, are front and center. Presidio's third annual Auto Tech Summit, held Oct. 21, gathered leading voices in dealership management, strategic investing and technology innovation to explore those advancements.

"The sector is going through historic changes," Presidio CEO Brodie Cobb said. "We appreciate the role our clients are engaging us to play in supporting their strategic visions as we participate in the broader industry transformation."

Whether dealers are evaluating portfolio strategy, adopting new technology or navigating the shifting dynamics of profitability, this report aims to help inform their decisions and support their goals.

Thank you for reading. We hope our insights provide both clarity and inspiration as you chart the road forward.



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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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M&A UPDATE/PRESIDIO VALUATION INDEX

The Presidio Group’s automotive 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 dealerships in the real world. Our comprehensive analysis includes:

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

Overall Market Update

The third quarter of 2025 saw continued momentum in the dealership M&A market, building on the rebound that began earlier this year. Since midsummer, the pace of buyers and sellers turning to Presidio for transaction assistance has been “on fire,” said George Karolis, president of The Presidio Group. Activity level across the broader industry also has grown. It remains a seller’s market for dealerships representing high-quality brands in prime locations, and those are the assets buyers primarily are clamoring for.

Presidio estimates U.S. dealership M&A activity through the first nine months of 2025 totaled 320 transactions involving 445 stores. With four more transactions involving 20 fewer dealerships estimated, this year’s pace is roughly on par with the same period in 2024. Numbers are subject to change as news of additional transactions emerges. A factor in the pace of the last year is the slowdown in deal completion late in 2024 and early in 2025 connected to transaction hesitation ahead of the 2024 presidential election.

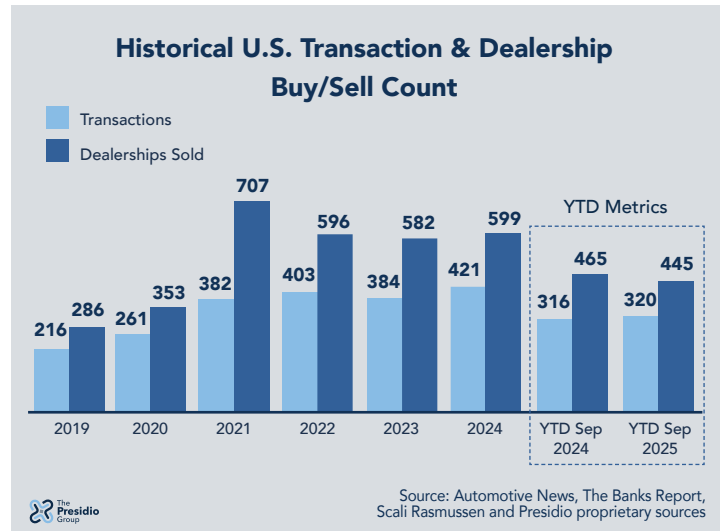
The team at Presidio continues to expect that full-year 2025 transaction counts and number of dealerships sold will meet or exceed last year’s levels. Presidio slightly increased its full-year 2024 data, to 421 transactions involving 599 stores, as more deals for that period became public.

Presidio’s own pipeline of deals continues to be stronger than ever, reflecting both the strength of its industry relationships and overall heightened deal activity. Large luxury transactions are a particular focus of the firm’s activity, with several notable deals closing in recent months. And the outlook for the 2026 dealership M&A market is robust.

“There’s no end in sight, at least for a few years. Buyers are willing to pay strong, but fair, prices and are stepping up for premium brands and markets,” Karolis said. “It’s a seller’s market, but sellers need to have a sound basis for valuation in any transaction, even in a robust market.”

While a larger bid-ask spread persists with some, buyers and sellers generally have become better aligned on both deal pricing and how to quantify store performance.

“For dealerships performing well, current earnings levels are more indicative of the new baseline,” Karolis added. “With rational parties, it’s much easier to get deals done today.”



A key trend with the nation’s largest and best dealership groups is active portfolio management, a strategy Presidio has championed for many years with its clients. Both buyers and sellers are actively leveraging their holdings and strategically realigning assets, divesting some stores and acquiring others that make sense for long-term strategic growth.

In notable third-quarter deals, Asbury Automotive Group in July finalized its \$1.45 billion acquisition of 33 Herb Chambers dealerships in New England. And Sonic Automotive continued to step back into the market after a long absence by buying a California Jaguar-Land Rover store in August, two months after buying several other JLR dealerships.

Presidio advised on multiple landmark luxury transactions in the quarter: AutoNation’s September purchase of large Mercedes-Benz and Audi stores in Chicago from Fletcher Jones Automotive Group and Group 1 Automotive’s August acquisition of highly sought-after Mercedes-Benz of Buckhead in Atlanta.

Industry consolidation continues to shape the auto retail landscape, with both private and public groups actively pursuing acquisitions. As 2025 winds down, robust deal activity is expected to continue; Presidio has several transactions poised to close before year-end. Circumstances support an opportunity-rich environment for both buyers and sellers as the year draws to a close.

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 seeking its new normal.

Average dealership profitability dropped about 20% in 2023 and by more than 24% in 2024 but rebounded in the first half of 2025, rising 15.3% on a year-over-year basis. 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%

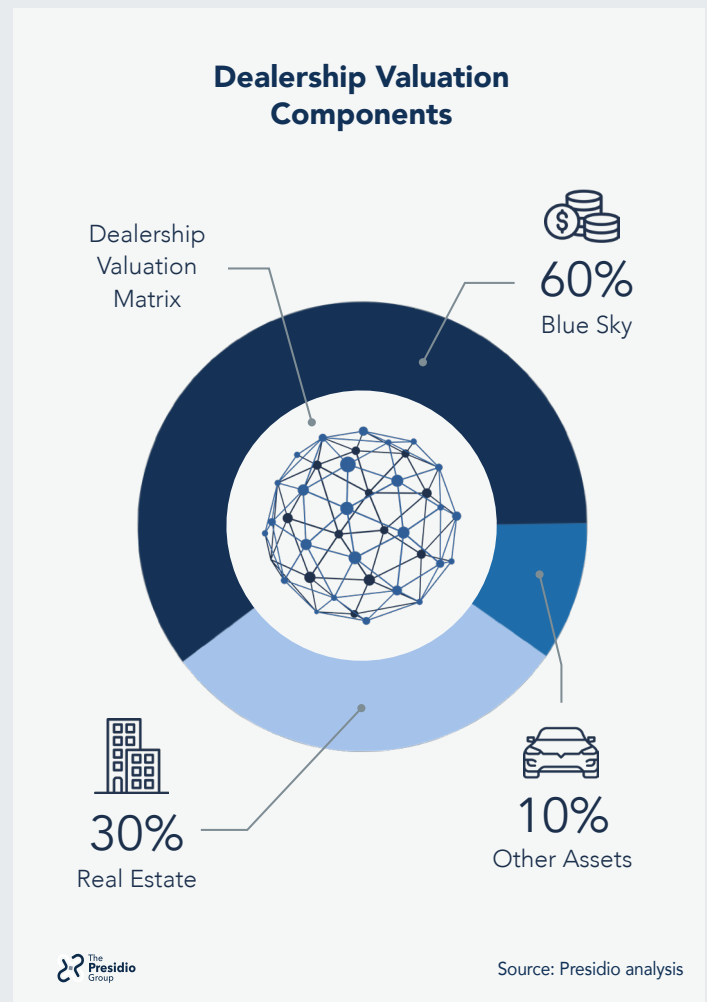
Revenue multipliers help eliminate volatility associated with changes in dealership earnings and are labeled on the following Presidio Valuation Index page as "blue sky as a % of revenue range." Revenue multipliers are a great barometer for estimating initial dealership valuation as they help neutralize 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. We’ve made no adjustments this cycle but are closely watching several brands for possible changes. European brands with minimal U.S. production capacity are being monitored for potential negative impacts of higher tariffs. Also, with robust demand for Toyota dealerships pushing current market valuations above historical levels, some market participants wonder whether current guidelines are sustainable. Finally, Nissan, after bottoming out, could be in line for improvements given recent momentum and management developments. Presidio will continue to track these factors and general brand performance and make any needed adjustments to valuation guidelines in our fourth-quarter report.

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

Quality of Earnings

Understanding the true earnings of a dealership when evaluating a potential transaction is crucial

When auto dealerships change hands, both buyers and sellers turn to more than just the raw information printed on a financial statement. A key factor in valuing a dealership is ensuring that the financial figures used in the calculations are vetted to determine the full picture, performance metrics and, ultimately, earnings of the store.

Dealership financial statements are not all created equally. Numerous considerations and subsequent adjustments are often required to arrive at a true understanding of profitability.

Quality of earnings refers to the reliability of a dealership's reported profits, whether facilitating a dealership transaction or helping dealers understand the value of their businesses.

"It's about making sure the underlying financial information depicts the most complete financial profile of a dealership," said George Karolis, president of The Presidio Group. "A typical unadjusted dealership financial statement almost never provides a realistic view of profitability."

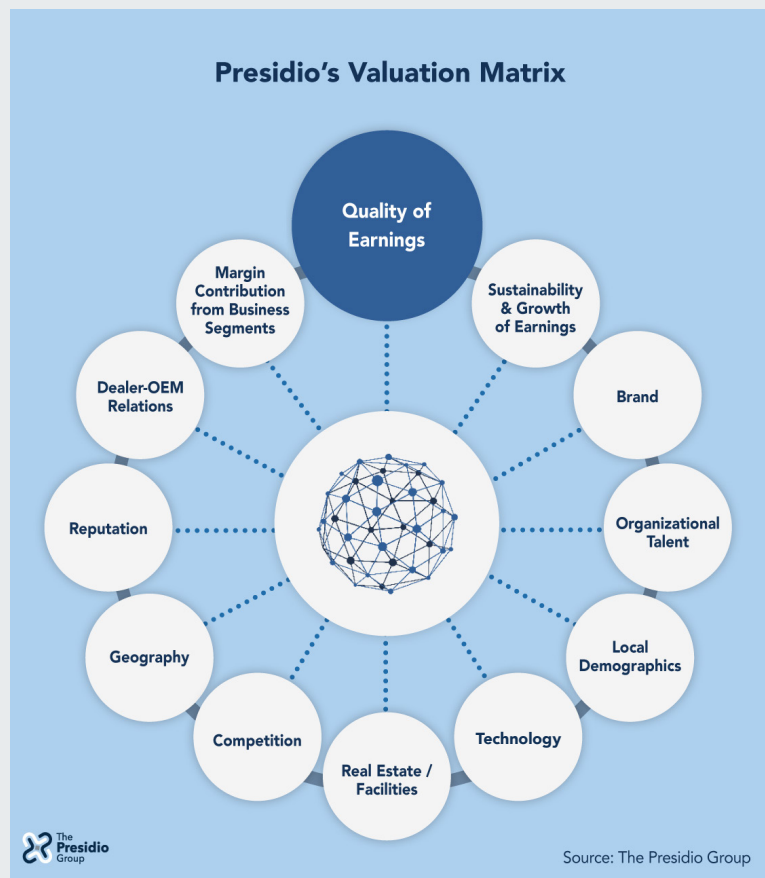
It's important to distinguish quality of earnings from another key valuation metric used by Presidio: sustainability and growth of earnings. Quality of earnings focuses on the completeness and comparability of reported financial results, while sustainability and growth of earnings is about a dealership's ongoing performance and future potential. Presidio provided a deep dive on the latter concept in its 2023 fourth-quarter report.

Assessing quality of earnings is essential for both buyers and sellers to provide a solid foundation for determining value. Without this foundation, projections about sustainability and growth may be built on shaky ground.

Presidio follows a rigorous process when evaluating dealership earnings.

"Our bespoke approach, which is driven by our years of experience and our intimate understanding of the inner workings of dealerships and their financial statements, results in the most comprehensive and reliable understanding of earnings," Karolis said.

Sometimes certain expenses are not captured, while some areas of income, such as



finance-and-insurance, may not be accounted for on the dealership's financial statements. To provide an apples-to-apples comparison, adjustments to some reported items may also be required. Examples include ensuring that proper levels of management compensation are reflected, eliminating management fees and cost overrides or adjusting facility rent to market levels.

Presidio's process includes a thorough review of financial statements to spot inconsistencies or unusual items. As a result, statements may require adjustments for one-time events, non-operating or personal expenses on the books or other items that muddy the true earnings history of the business. Examples of one-time events include the CDK Global cybersecurity breach of 2024, a significant legal settlement or the impact of a major weather event. Additionally, non-operating or personal expenses are often accounted for on dealership financials. Examples include payments to family members not actively working in the business or expenses for private planes or country clubs.

Expenses such as rent, compensation and floorplan interest are standardized to make sure all relevant costs are properly captured. Sometimes a management company overseeing multiple dealerships will absorb certain direct costs that should be included in the financials being evaluated. Additionally, some dealership groups may pad their inventory or product costs, practices that require adjustments to properly depict the true outlook on financial statements.

It's important to note this type of work shouldn't be considered an independent third-party quality of earnings analysis. It's not about striving to confirm the accuracy of specific reported items but rather about ensuring that the financial picture presented is comparable and comprehensive.



During the due diligence phase of a transaction, many buyers use internal financial experts or engage outside accountants to review and confirm the accuracy of the provided financial information. Firms that are experts in dealership accounting, such as HHM PLLC, Crowe LLP and Forvis Mazars LLP, are frequently brought in to conduct these independent analyses. This additional layer of review helps provide buyers comfort and supports a fair transaction process.

Whether a seller is a public or private dealership group, the goal in the end is an adjusted financial statement that presents a clear and comparable view of a dealership's true performance and earnings. That can then serve as the reliable basis for applying valuation multiples and making informed decisions about buying and selling.

Bottom line: A quality of earnings analysis is not a box-checking exercise. It is a fundamental part of understanding the true value and risk profile of a dealership in any M&A transaction. For buyers and sellers alike, investing in a rigorous, fact-based earnings analysis is not just prudent — it's essential.




"It's about making sure the underlying financial information depicts the most complete financial profile of a dealership. A typical unadjusted dealership financial statement almost never provides a realistic view of profitability."

— George Karolis, president
of The Presidio Group

Dealership 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.

FLETCHER JONES
CHICAGO, IL



acquired by

AutoNation

STIVERS
SUBARU
DECATUR, GA



acquired by

LITHIA
MOTORS, INC.


Mercedes-Benz
BUCKHEAD

acquired by

GROUP 1

Park Place
DEALERSHIPS

acquired by

ASBURY
AUTOMOTIVE GROUP

Hendrick
Honda
WOODBRIDGE

acquired by

OURISMAN
EST. 1971
TRUSTED TRADITION

 Mercedes-Benz
JACKSON, MS

 Mercedes-Benz
COLLIERVILLE, TN

acquired by

LITHIA
MOTORS, INC.

BILL BROWN
Ford

acquired by

PENSKE
Automotive

Larry H Miller
Toyota Lemon Grove

ASBURY
AUTOMOTIVE GROUP

acquired by


VAUGHAN
AUTOMOTIVE

Fred Anderson
CHEVROLET
NISSAN
GREER

acquired by


Escude
Automotive
Group


LEXUS OF WILMINGTON
ASBURY
AUTOMOTIVE GROUP

acquired by

 **MileOne**
AUTOGROUP

UMANSKY
AUTOMOTIVE GROUP
CHARLOTTESVILLE




acquired by


FLOW

S **SUBURBAN**
Suburban Collection Holdings

acquired by

LITHIA
MOTORS, INC.

 **MileOne**
CHESAPEAKE, VA
NEWPORT NEWS, VA



acquired by


SOUTHERN
AUTO GROUP


Anderson Autos

acquired by

John K. Swickard
SWICKARD AUTO GROUP

GROUP 1
AUTOMOTIVE
BEAUMONT, TX



acquired by

DOGGETT
AUTOMOTIVE GROUP

 **Hall**
MileOne Autogroup
Honda Huntersville

acquired by

 **Hudson**
Automotive Group



PRESIDIO-NCM AVERAGE DEALERSHIP PERFORMANCE BENCHMARK

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

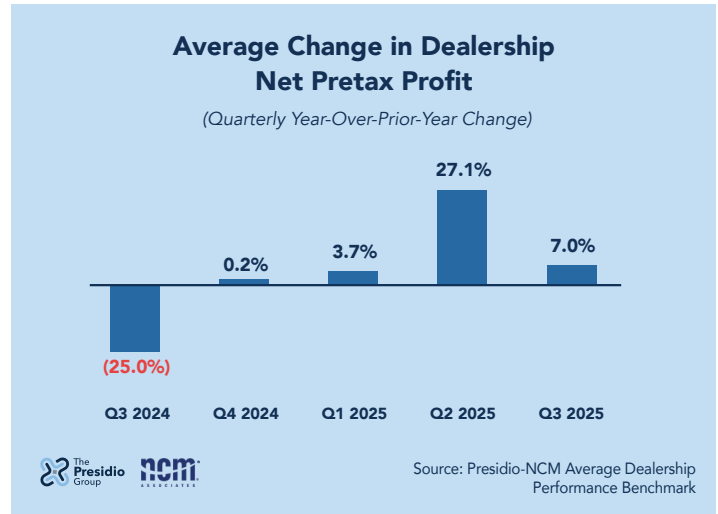
Vehicle sales volume and per-vehicle margins for the average U.S. franchised dealership dropped, while overall profit growth, strong in the second quarter of 2025, notably slowed in the just-completed third quarter, shaped in part by one-time factors.

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

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

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

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



Current Snapshot

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

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

Source: Presidio-NCM Average Dealership Performance Benchmark

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

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

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

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

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

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

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

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

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



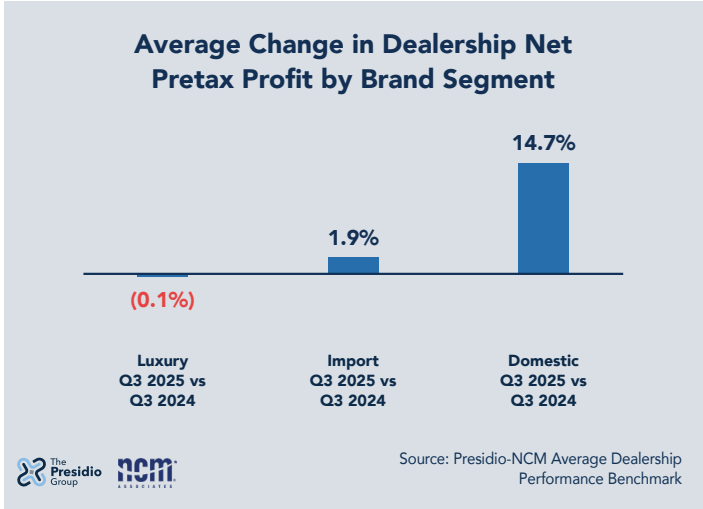
"These results reinforce how resilient dealerships are, even with all the recent market shifts."

— George Karolis,
president of The Presidio Group

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

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

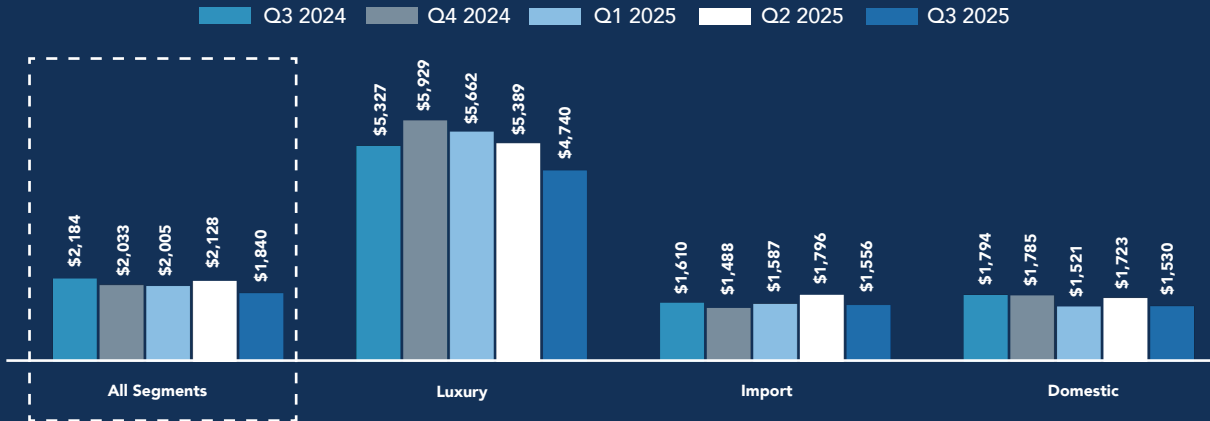
"Dealers moved a record number of EVs during the quarter, often by cutting prices and lowering profits to clear out inventory quickly before the tax credit expired," Tynan said. "The uncertainty now is how demand and sales unfold



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

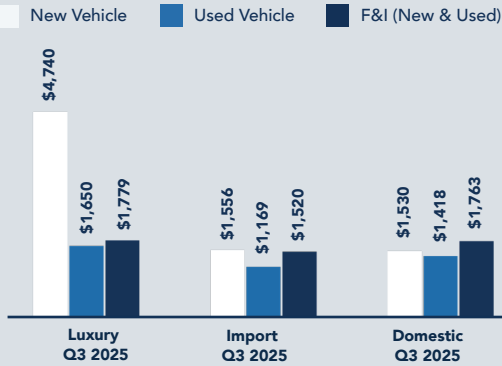
PRESIDIO-NCM AVERAGE DEALERSHIP PERFORMANCE BENCHMARK

Average New-Vehicle Gross Profit by Brand Segment



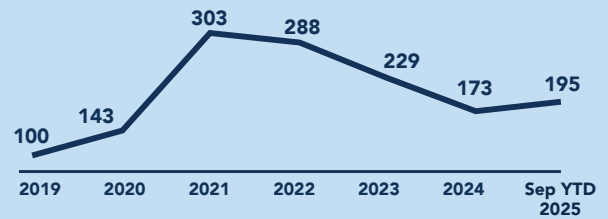
Source: Presidio-NCM Average Dealership Performance Benchmark

Gross Profit Per Vehicle by Brand Segment



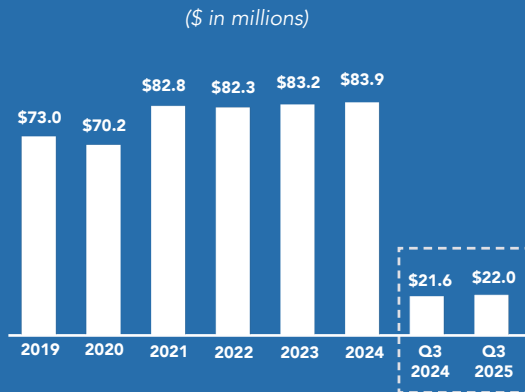
Source: Presidio-NCM Average Dealership Performance Benchmark

Presidio-NCM Average Dealership Profitability Index



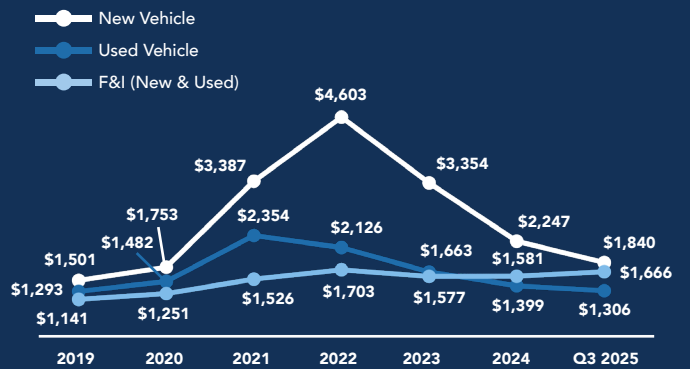
Source: Presidio-NCM Average Dealership Performance Benchmark

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

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

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

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

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

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

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



RELATIONAL. NOT TRANSACTIONAL.

RECENT CLOSINGS



acquired by



2025

FLETCHER JONES
AUTOMOTIVE GROUP
CHICAGO, IL



acquired by



2025



Mercedes-Benz
BUCKHEAD

acquired by



2025

Mid-Hudson



acquired by



2025

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The Presidio Group’s Investment Banking services are offered through its subsidiary Presidio Merchant Partners LLC. Member FINRA, SIPC.

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

Dealership training to help retain your best



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PUBLIC DEALERSHIP GROUP TRENDS

New-vehicle margins thin as EVs drive volume

The six publicly traded dealership groups showed resilience in the third quarter of 2025 as new-vehicle profitability continued to contract from historical highs.

Robust performance in finance and insurance, including records for several of the publics, and consistent growth in fixed operations helped results for the peer group. Five of the six publics posted gains to adjusted earnings. Average adjusted net income for the group rose 6.6%.

Same-store new-vehicle sales volume rose for all six companies as the Sept. 30 expiration of federal electric vehicle tax credits drove more consumers to buy EVs before the quarter's end. While tax credit expiration boosted volume, the resulting higher mix of lower-profit EVs contributed to narrower new-vehicle margins, though the degree of decline varied by company and brand mix.

"New-vehicle profitability moderated in the quarter as one might have expected with the mix of our sales being more heavily weighted to BEVs and domestic vehicles," said Mike Manley, CEO of AutoNation. Automaker "incentive spending played a part here as well."

AutoNation's same-store gross profit per new vehicle dropped 18.8%. The public retailers with more luxury-brand dealerships also experienced declines. Penske Automotive Group, for instance, saw an 8.2% decline in same-store gross profit per new vehicle. Even with such margin compression,

the typical new-vehicle profit remains well above 2019's pre-pandemic levels.

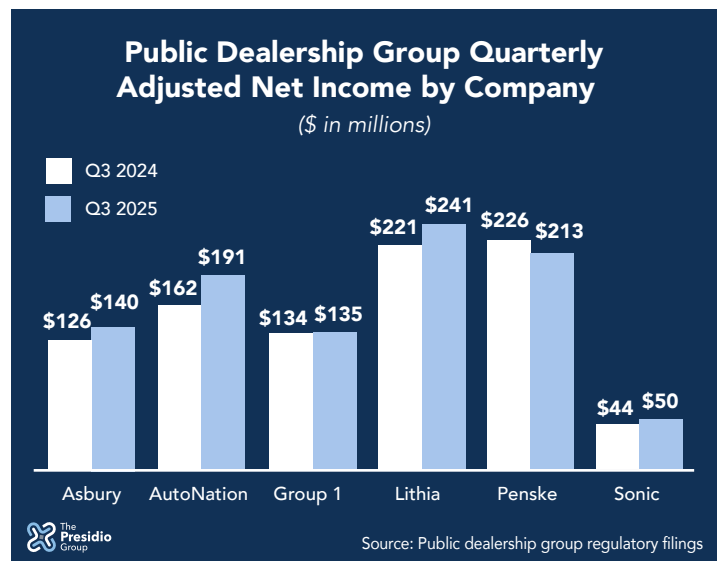
Public dealership groups' strength in F&I and parts and service continued to pay dividends, helping insulate them from the volatility of the new-vehicle business.

Group 1 Automotive CEO Daryl Kenningham touted the company's diversified business model. "Used vehicles, aftersales and F&I each achieved record performance, with aftersales supported by continued momentum in customer pay and warranty work," Kenningham said.

As 2025 draws to a close, public dealership group leaders are focused on disciplined inventory management. Sales volumes are expected to soften now that the tax credit has expired and EV pull-ahead demand fades.

Future success in the used-vehicle space depends heavily on pricing and acquisition strategies to ensure inventory aligns well with buyer demand. With vehicle affordability a continuing challenge, several publics highlighted the importance of leveraging customer trade-ins and keeping more of them inhouse to retail, particularly at lower price points. They also look forward to the used-vehicle pipeline improving next year and beyond as the industry emerges from the trough created by production cuts during the pandemic and microchip shortage.

"It's a very competitive market for preowned right now, because the pool is so shallow," Asbury Automotive Group CEO David Hult said. In 2026, "there'll be more used cars in the market; '27 gets even better, and '28, you're back to a normalized market."



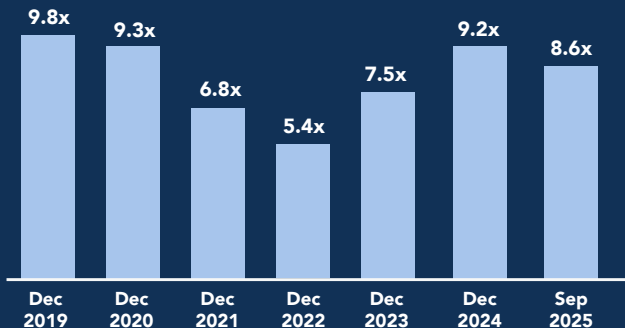
PUBLIC DEALERSHIP GROUP TRENDS

Average Public Dealership Group Stock Price



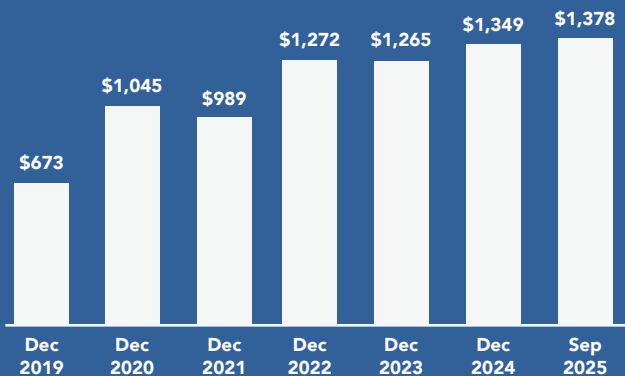
Source: Yahoo Finance, NYSE

Average Public Dealership Group EV/Adjusted EBITDA Multiple



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

Public Dealership Group Average Available Liquidity (\$ in millions)

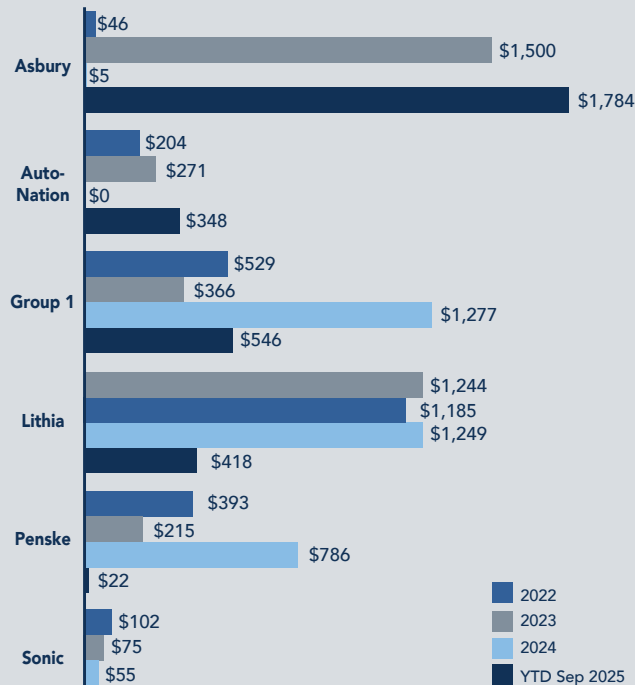


† Penske's figures include its cash totals and U.S.-only credit agreement



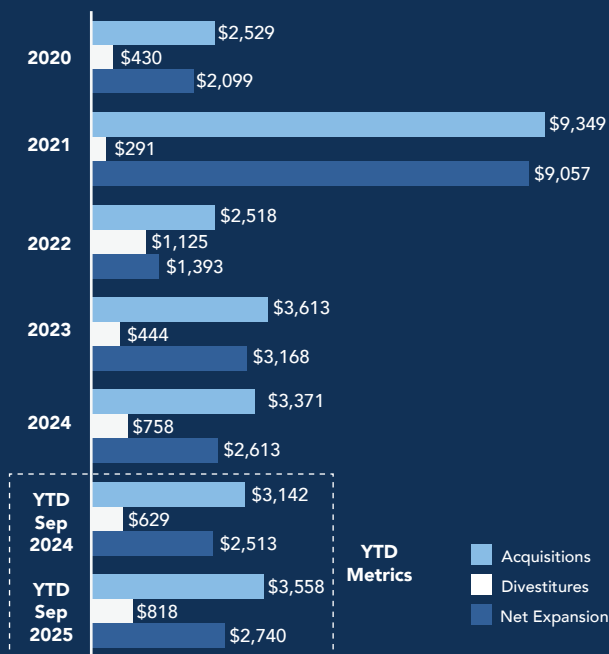
Source: Public dealership group regulatory filings

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



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

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



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



Automakers shift EV strategy after abrupt swing in the regulatory environment



Kevin Tynan

Director of Research
The Presidio Group

The U.S. battery electric vehicle market faces major pricing, profit and volume shifts as automakers, dealers and consumers navigate policy changes enacted under the Trump administration.

Since 2009, EV sales have benefited from federal tax credits, stricter fuel economy and emissions standards and penalties for manufacturers not complying with regulatory requirements. But the elimination of those tax credits and easing of standards and penalties now mean EV adoption rates will likely slow.

The pace of migration to EVs by U.S. consumers over the past two years has fallen short of earlier predictions, despite massive investments in the technology across the industry. Given their poor profit dynamics and the loss of subsidies that had motivated some demand, automakers are now reducing their investment in an EV market that saw sales volume dip by 6.3% in the second quarter of 2025.

Over the last 18 months — and especially since regulatory policy was rewritten this summer — automakers including Ford, Honda, Mercedes-Benz and Nissan have canceled some EVs planned for the U.S. market.

Others have delayed projects. Volvo, which in 2021 said it would be fully electric by 2030, walked back that ambition. Porsche scrapped its initiative to make high-performance batteries in-house.

Automakers likely will continue to minimize EV capacity expansion until the path to profitability clears, regulatory requirements are strengthened or subsidies return.

Poor EV profit profile leads to supply cuts in the U.S.

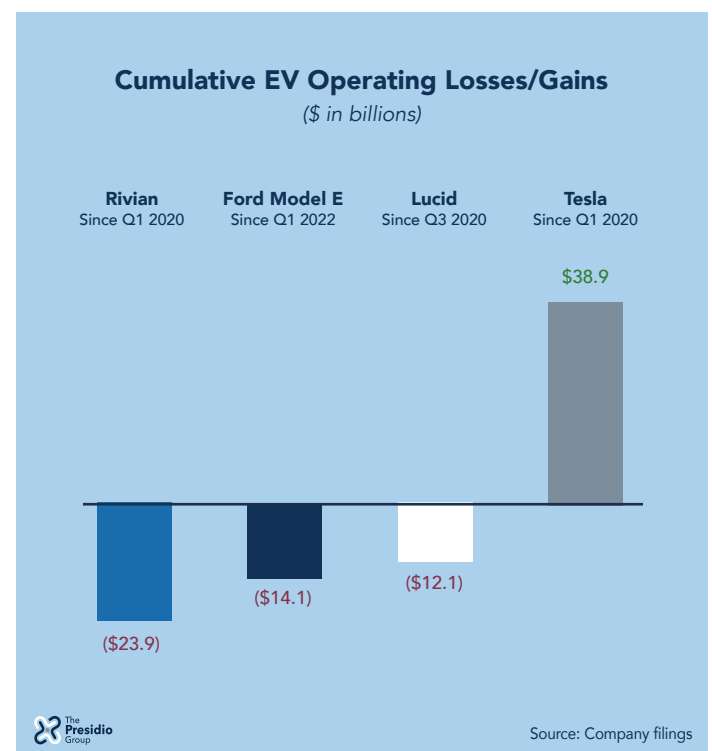
Lack of profitability has impeded faster EV migration. And the unfavorable profit profile of manufacturing EVs in the U.S. largely stems from reliance on China supply chains for

mining, processing and transporting raw minerals. Battery-powered vehicles typically require six times the amount of minerals as combustion engine vehicles.

Ford lost \$14.1 billion on an adjusted basis before interest and taxes in its Model E business unit from 2022 through mid-2025, an average loss of \$41,000 per vehicle. The Mustang Mach-E sells for less than \$50,000 on average, down 19.1% from its high point. The F-150 Lightning's average transaction price is down 10.9% from its 2023 peak. Put simply, Ford has been unable to increase output and have demand keep pace with its investment in EV production capacity.

The financial conundrum goes beyond legacy automakers. EV manufacturers Lucid and Rivian have never generated an operating profit. Rivian's production in 2025's second quarter was its lowest since it began reporting output in 2022. With its sales total almost double its production level in the quarter, Rivian clearly was focused on selling down inventory.

And while Tesla has reported steady profitability since



2020, its core financial performance is difficult to measure. The company's earnings are heavily reliant on selling regulatory credits — \$11.6 billion worth since 2017.

Ford could trade profits on its coming affordable electric pickup for longer-term EV benefits

Despite its EV losses, Ford appears to be the first legacy automaker leaning into the market during this period of upheaval. With its plan to build a smaller electric pickup priced around \$30,000, Ford is making a long-term play. Like Mustang Mach-E and F-150 Lightning, the coming pickup will likely lose money. But it could also prove a winning strategy to bring new buyers into the Ford stable.

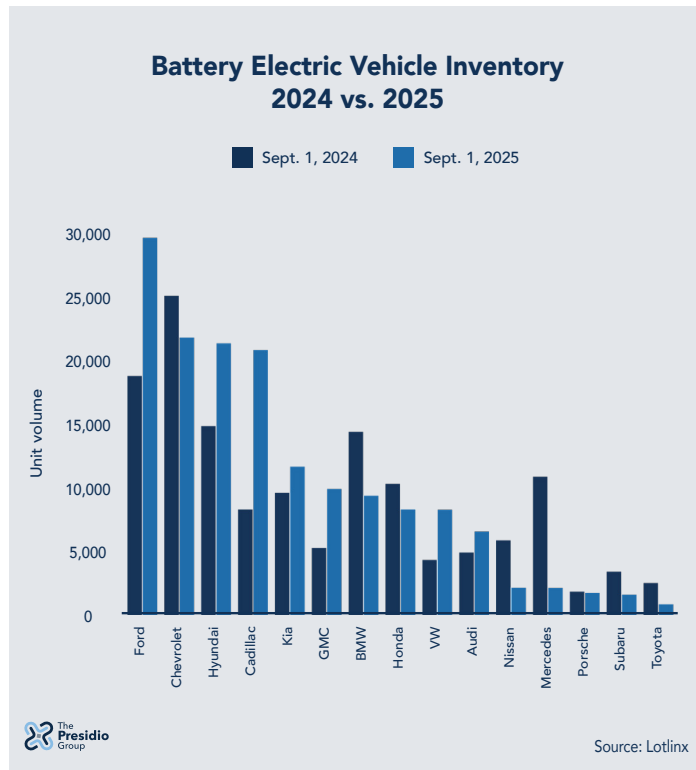
Ford, GM and Stellantis in recent years have essentially given up on trying to compete with Asian automakers in the lower-priced entry-level and move-up segments. And the U.S. market's average transaction price has increased 39% since 2016, as the U.S. light-vehicle sales mix has moved to 84% truck.

With competitive lower-priced vehicles currently missing from the Detroit Three's lineups, Ford's plan to offer an affordable EV could lower the age of its buyers and lead to repeat — and profitable — customers. As a bonus, generating robust volume for an affordable electric vehicle would help corporate average fuel economy and emissions reduction goals, which still exist albeit with more modest standards and no penalties for failing to meet them.

While absorbing losses won't impress on quarterly financial statements, legacy automakers may have to accept that EV investments require a longer-term view. While it seems financially illogical for Ford to bring to market a \$30,000 EV when it has been unprofitable in that price band, the cheaper pickup could create goodwill with a younger generation of buyers in an echo of the Honda, Toyota, Hyundai and Kia approach.

Automakers and dealers are positioning themselves for an altered EV market after 2025

Franchised dealerships in the U.S. had about 164,000 battery electric vehicles in stock to start September 2025, up 10.5% from the year-earlier level. Higher inventory in part is a result of the market's 11% ramp in EV nameplates. The suspension of the \$7,500 federal tax credit after September shortened the runway for dealers to lower that inventory to a manageable level. But dealerships must adjust to a new



supply-demand landscape and a more organic new-vehicle market heading into 2026.

Going forward, dealers have margin opportunities in their new, used and fixed-operations businesses and less distraction and uncertainty from EV hype as their automaker partners regroup. The financial physics of supply and demand still hold in the U.S. industry. But automakers, dealers and consumers must adjust to less government involvement on each side of that equation for the first time since EV technology started its march into the mainstream after new tax credits became available nearly 17 years ago.

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.



DEALER DIRECTION SURVEY/ BRAND DESIRABILITY RANKING

The Presidio Midyear 2025 Dealer Direction Survey revealed a cautiously optimistic outlook among U.S. auto dealers, even as tariff hikes and geopolitical disruption created uncertainties.

Presidio's survey is conducted twice a year to gauge perspectives on profitability, valuations and the buy-sell market. The midyear survey, fielded from May 15 to June 13, aggregated responses from 182 dealers and dealership group executives representing nearly 3,000 franchised stores. Participants were in part asked about current and future operating environments and the most desirable brands to represent.

A key finding was a marked improvement in dealer sentiment regarding profitability and valuations. About 72% of respondents expected profitability to remain the same or improve over the next 12 months, up from 65% at year-end 2024 and just 37% a year ago. Average dealership profitability has stabilized, with the typical U.S. franchised store posting a 15.3% gain in pretax profit in the first half of 2025.

Stabilizing profitability helps dealership values. Nearly 75% of dealers anticipated stable or rising dealership values, supporting continued consolidation and indicating strong demand for cash-generating businesses. The buy-sell market remains active — it's a seller's market for high-performing stores representing desirable brands in good locations. While only 9% of survey respondents expressed interest in selling, nearly two-thirds said they wanted to buy, primarily to generate returns and create opportunities for the next generation of leaders.

Tariff policy continued to cause concern, with 61% of respondents expecting new tariffs to hurt business. While automakers generally absorbed most tariff costs early on, these expenses are expected to be more fully passed on.

Brand desirability rankings shifted this cycle. Presidio's Magnificent Seven became the Magnificent Six as Porsche dropped out of the top tier of brands. Toyota, Lexus, Honda, Subaru, BMW and Mercedes-Benz are the six now leading the ranking, with top Asian brands maintaining their stronghold and domestic brands like Chevrolet, Ford, Buick-GMC and Cadillac showing resilience.

For more details on Presidio's midyear survey, see the full report here: [Presidio Midyear 2025 Dealer Direction Survey](#).

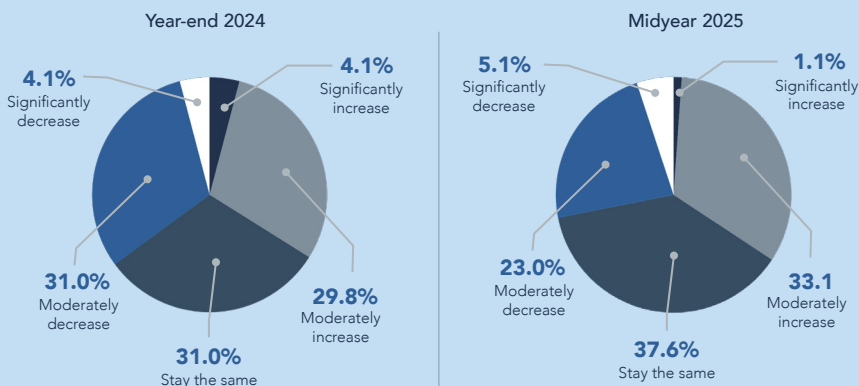
Brand Ranking

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

PRESIDIO MAGNIFICENT SIX		
	Toyota	9.37
	Lexus	8.67
	Honda	8.30
	Subaru	7.99
	BMW	7.22
	Mercedes-Benz	7.12
	Kia	6.88
	Porsche	6.61
	Hyundai	6.45
	Chevrolet	6.43
	Ford	6.03
	Mazda	5.24
	Buick-GMC	5.08
	Audi	5.05
	Cadillac	4.63
	Acura	4.29
	Genesis	4.27
	Volkswagen	4.01
	Jaguar-Land Rover	3.91
	Ultraluxury	3.35
	Lincoln	3.28
	Nissan	3.15
	Volvo	3.13
	CDJR	3.10
	Infiniti	2.37

How do you think dealership profitability will trend?

Over the next 12 months



Source: Presidio Midyear 2025 Dealer Survey

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 automotive 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:



David Hult, CEO of Asbury Automotive Group, Inc.

PRESIDIO: This year, Presidio has highlighted the word stabilization from a profitability standpoint. How do you see the year to this point and what do you see going forward?

DH: Everyone's kind of holding their breath [through October]. We still don't have clarity on what's going to happen with tariffs.

We all know the cyclical nature of our industry after Labor Day. The EV tax credits go away. Our cost to sale in the quarter was a little over \$51,000. We were \$39,000 before COVID. That rate of increase didn't run with people's income. So there's no more air left in the balloon. I don't think cost of sale can really go up much.

There have to be a lot of strategic conversations. Do we de-content vehicles? Do we think about the model lineup differently? It's much harder today to be a franchise dealer than 10 years ago. Your costs are significantly higher—benefits, facilities. It's a material difference [from] 10 years ago. So it's absorbing a lot of capital. In the next three months everyone's going to wait and see what happens with the tariffs.



Kasi Edwards, EVP of strategy and corporate development, Reynolds and Reynolds

PRESIDIO: You talk about learning to become stewards of the technology. What do you mean by that?

KE: Our job, as a provider, is to make sure that as we sell technology that we are stewards of the dealership and of the tech to ensure they're utilizing it effectively. We can build all the technology in the world. But at the end of the day you're still talking about a retail environment. And retailers are still going to be faced with all the pressures we continue to watch: consumer expectations, high turnover in their store, regulatory and compliance [demands] and manufacturers.

Our leadership team at Reynolds believes it's our job to help. We can give you the technology but how do you effectively utilize it and how do you effectively make the most of what you've bought? [We've got] a whole bunch of initiatives going on. Performance managers [are] one example. We've invested in a whole new business unit [and] really doubled down on high utilization and high return on investment for all the products and services that we sell. The dealerships, they demand it, they love it, they respect it.



To suggest a guest:

Email Jason Stein
jstein@thepresidiogroup.com

To tune into Full Throttle:



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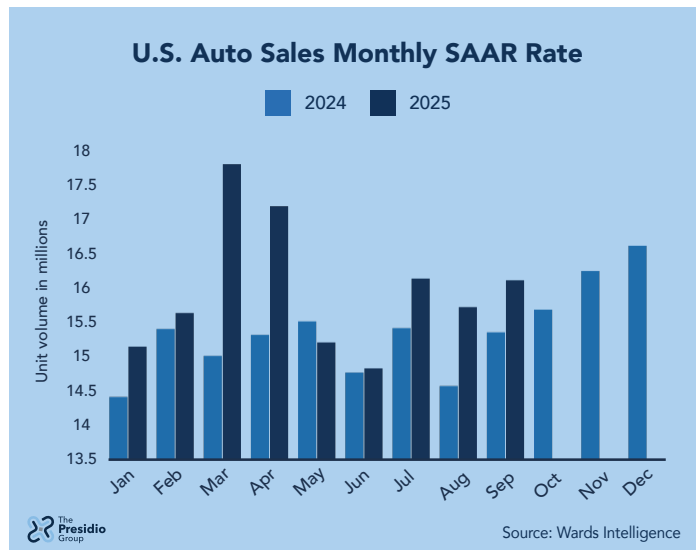


ThePresidioGroup.com/Podcast



Strong Q3 sales pace sets the stage for a challenging year-end push

The seasonally adjusted annual sales rate for the third quarter reached 16.4 million vehicles, up from 15.6 million a year earlier. Much of the increase came from consumers accelerating purchases ahead of expiring electric vehicle tax credits, effectively pulling EV demand forward from the fourth quarter. Automakers largely absorbed tariff-driven inflation and avoided price hikes, helping July and August reach the highest mid-summer sales rate since 2019. Sales in those months were just 3.1% below the tariff-threat motivated surge of March and April, the highest two-month volume period since May and June of 2019.



Given demand pull-ahead, 2025's fourth quarter will be hard pressed to equal or better the strong year-earlier sales pace of 16.4 million, which far surpassed the 15.6 million average for 2024's first nine months. Consumer appetite for year-end deals in last year's fourth quarter was strong. October 2024 was the first month since May 2021 to post a seasonal rate topping 16 million. November and December were even stronger, leading to the industry's highest fourth-quarter seasonal pace since 2019.

By contrast, this year's fourth quarter follows a period in which sales surpassed year-earlier volume for eight of nine months. For automakers, the cost of maintaining price and margin integrity while growing volume is intensifying, in part because they may have to pass on more tariff

costs to dealers and consumers. It means sustaining sales momentum through the fourth quarter would likely require dealer discounts exceeding the \$2,200 average of the third quarter and factory incentives above the current 6.2% of transaction price.

Automakers now face a crossroads: pass on rising costs and risk slowing volume growth. Hiking incentive spend could keep that growth happening but would hurt profitability.

Japanese brands drive U.S. sales in Q3

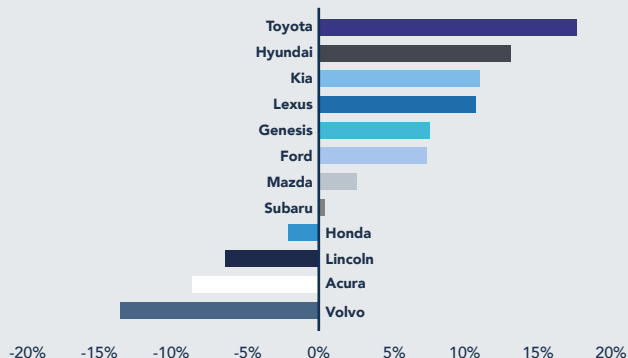
U.S. vehicle sales, not seasonally adjusted, rose 5.6% in the third quarter, driven by strong demand and easy comparisons to 2024. But September provided the final easy comparison of 2025.

Toyota, with unit sales growth of 16.4%, led third-quarter volume gains among Japanese full-line competitors. Brands with more EVs in their lineup saw more growth in the quarter as consumers rushed to buy before the expiration of the \$7,500 EV federal tax credit. Hyundai and Kia, each with multiple EVs, posted 13% volume gains for the quarter. Honda, with only one modestly marketed EV, saw a 2.0% decline for the quarter.

EV-driven gains boosted some brands' market share, but the effect is likely short-lived. While several automakers have launched new EV incentives meant to mimic the effect of the tax credit for consumers, they likely can't sustain that through 2026. As dealers and consumers absorb the higher costs, demand for and sales of new vehicles could ebb, potentially pushing shoppers to used vehicles or to the buying sidelines.

For domestic brands, a richer mix of higher-priced vehicles generates more revenue and profit per vehicle than brands with more affordable but low-margin vehicles driving volume growth. Ford, General Motors and Stellantis' light truck-focused portfolios generated sales at an average transaction price 11.6% above the third-quarter industry average. Those automakers command 93% of the full-sized pickup segment, the largest in the U.S. in retail revenue. GM, Ford and Stellantis posted a combined 7.6% increase in sales volume in the third quarter, underpinned by a 5.6% gain in full-sized pickups.

New-Vehicle Retail Sales Change by Brand Q3 2024 vs. Q3 2025



Source: Company data, Edmunds.com, Cox Automotive, Presidio analysis

Automakers keep inventory manageable

The industry kept an average of 3 million new vehicles in inventory in the third quarter, in line with year-earlier levels. That indicates that automakers have settled into a reasonably disciplined production pace that matches consumer demand. During the pandemic-induced supply shortage from 2020 through 2023, third-quarter inventory fell below 3 million. By contrast, levels neared 4 million from 2014 through 2019. Inventory numbers at the end of the third quarter equaled 56 days of supply, a level considered manageable.

While automakers have exhibited restraint of late, keeping day's supply in check is necessary to keep consumers buying. That may require additional incentive spending by automakers and more discounting by dealers. Inventory of 3 million vehicles could quickly appear excessive if monthly sales fall below the third quarter's 1.4 million average.

U.S. New-Vehicle Inventory



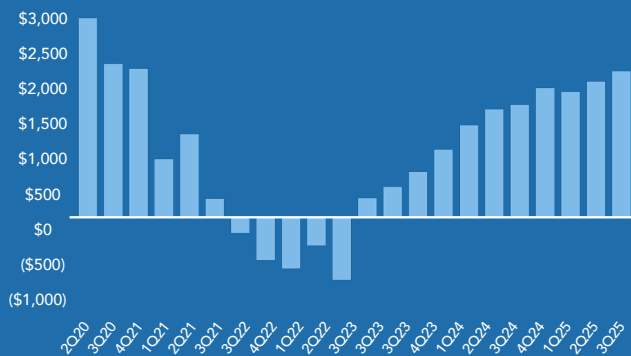
Source: Lotlinx, Presidio analysis

New-vehicle pricing dynamics have shown signs of weakness. The average discount from MSRP has exceeded 4% since May and was 4.4% for the third quarter. In dollars, the average third-quarter discount translated to \$9.5 billion of

unrealized retail revenue for the period, compared with \$6.6 billion for the third quarter of 2024. The average new-vehicle discount was \$2,234 in the just-completed quarter, the highest for any quarterly period since the last three months of 2020.

Dealers will have a tough time weaning consumers off discounting unless manufacturers continue to scale back output and reduce inventory levels further. For the first eight months of 2025, North American new-vehicle production fell 3%, made up of a 3.8% drop for U.S. factories, a 6.5% decline for Canada and a 0.5% gain for Mexico.

U.S. Per-New Vehicle Discount Off MSRP



Source: Edmunds.com, Cox Automotive, Bureau of Economic Analysis, Presidio analysis

While discounting has tempered the increase in the industry's average transaction price, that average price remains near record highs. The third-quarter average of \$48,614 was just the fourth time that measure has ever topped \$48,000 — and three of those times occurred during the last four quarters. Higher discounting in part is connected to automakers raising MSRPs at the same time to try to defray rising tariff costs. The third-quarter average MSRP of \$51,099 marked just the third time in history that the average sticker price topped \$51,000 — and all three of those instances occurred during the last four quarters.

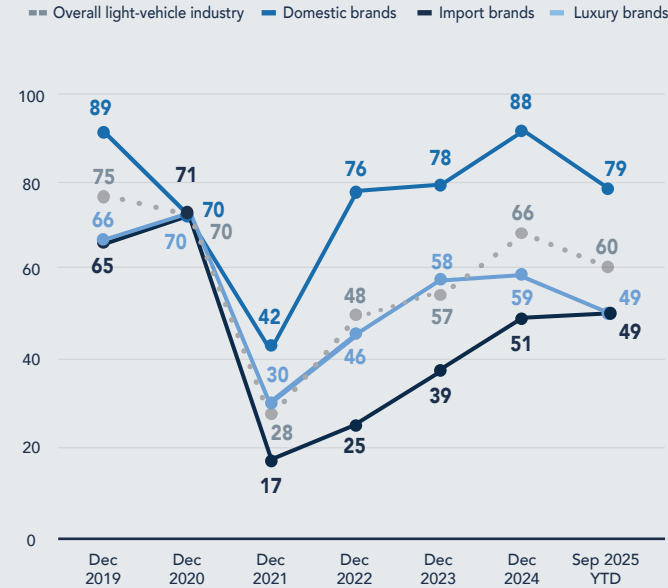
Supply-demand harmony is getting tricky

Supply-demand dynamics face complex challenges through late 2025 and into 2026. Higher tariff costs likely will be increasingly passed to dealers, during a time when consumers are already concerned about vehicle affordability. There is significant risk that new-vehicle demand from U.S. consumers falters in this environment and remains suppressed without significant price relief.

Heading into 2026, one thing seems clear: The cost of sustaining volume in this tricky environment will only rise as consumers place greater emphasis on affordability, likely pressuring margins for automakers and dealers.

Presidio Data Library

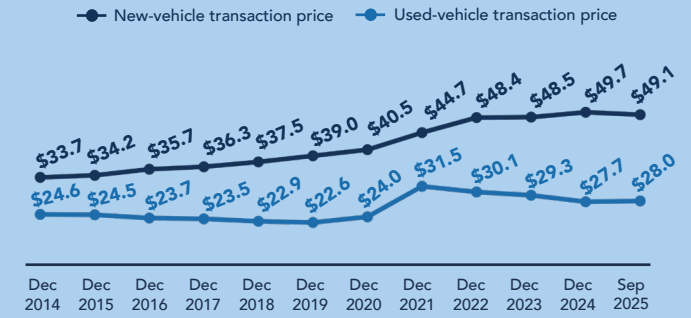
New Vehicle Days' Supply by Brand Category



Source: Wards Intelligence, Presidio analysis

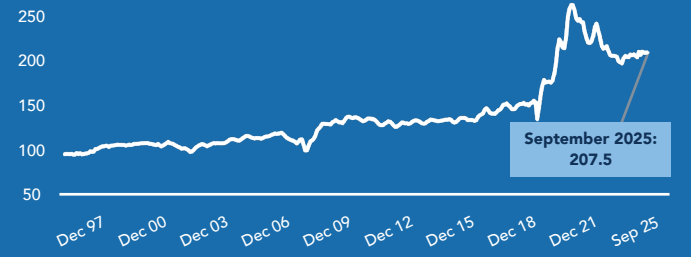
Average New- and Used-Vehicle Transaction Price

(\$ in thousands)



Source: Edmunds, CarGurus, Cox Automotive

Manheim Used Vehicle Value Index



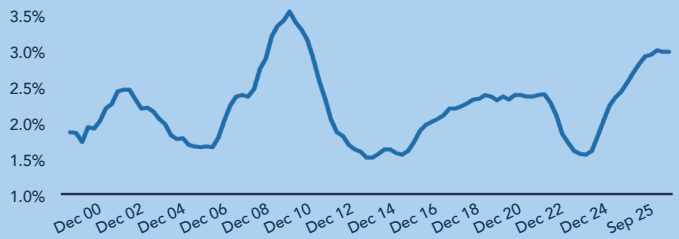
Source: Cox Automotive

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



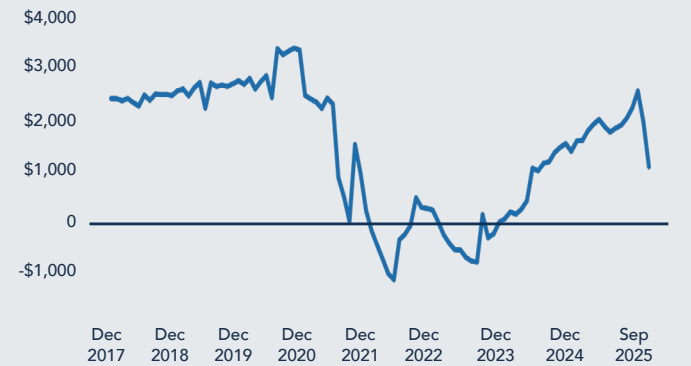
Source: Company data, Automotive News, Ward's Intelligence, Presidio analysis

U.S. Auto Loan 90+ Day Delinquency Rate



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

Average Per-Vehicle Dealership Discount from MSRP



Source: Edmunds.com, Cox Automotive, Presidio analysis



Agentic AI begins to reshape auto retailing

Automotive retailing is on the verge of a major transformation as agentic artificial intelligence moves from concept to reality in dealership showrooms, service bays and back offices.

Industry leaders project that this new generation of AI — capable of independently analyzing data, automating workflows and even taking direct action — will fundamentally change how cars are sold and serviced.

“Agentic AI isn’t just the next incremental step in dealership technology — it’s a transformational leap poised to redefine dealership operations and the customer experience,” said Brodie Cobb, CEO of The Presidio Group. “Agentic AI is likely to significantly reshape the landscape with integrated technology platforms that are smarter, faster and more attuned to what both dealers and customers actually need and want.”

It’s a shift long in the making, and the industry’s retail tech giants, as well as smaller companies and startups, are now investing significant capital and resources into agentic innovations. It’s a rapidly increasing piece of an automotive AI market expected to be worth \$7 billion by 2027, according to CDK Global.

Technology advances in dealership software have been accelerating at an unprecedented pace in recent years. Many dealers have experimented with new products, particularly Chat GPT-like generative AI tools. But given uneven

performance from some products and not enough familiarity with the technology, dealers have been cautious about adopting too many of the new tools before they’re proven.

Now, with the arrival of agentic AI over the past year, there’s a sense among some of the industry’s top technologists that this may be the breakthrough the sector has been waiting for. Agentic AI goes beyond content generation to orchestrate and automate complex workflows — offering the kind of practical improvements for dealership staff and customers that many have long anticipated.

“AI agents can compress processes that once took days into minutes,” said Marianne Johnson, Cox Automotive executive vice president and chief product officer. “This is a step further than automation — it’s orchestration. This is where the real transformation happens.”

Agentic’s true power lies in leveraging proprietary and unique data to achieve outsized outcomes, Johnson said. Intelligent AI agents can handle tasks, and orchestrator agents can coordinate those tasks seamlessly.

A forthcoming Cox Automotive survey of franchised dealership leaders found that while most dealers see AI as a permanent part of the business landscape and are eager to learn more, significant barriers remain around trust, data quality and training. Still, the survey found that dealers who fully embrace AI are already seeing meaningful gains in efficiency and profitability.

Cox and other retail tech companies are piloting or even fully introducing a multitude of new agentic AI-based tools.

Reynolds and Reynolds in August launched digital assistant Rey, which leverages the tech company’s Spark AI data layer collecting transactional data from dealerships nationwide. Rey launched with the ability to provide strategic recommendations, generate reports, assist with tasks and contact technical assistance. Dealership employees soon will be able to ask Rey to take direct action inside Reynolds software, such as pulling sales reports, updating customer records, analyzing inventory, tracking repair status, ordering parts and scheduling service appointments.

Sidney Haider, Reynolds and Reynolds senior vice president of corporate development and M&A, calls agentic AI a potentially transformative force for automating and improving dealership operations, especially in digital



“Agentic AI is poised to dramatically change the way we manage data, connect systems and deliver value.”

— Brodie Cobb, CEO of The Presidio Group

retail. Haider in April told Presidio that agentic AI can help streamline operations and digital retailing by analyzing and automating workflows and suggesting and implementing process improvements with minimal human input.

“The whole idea of agentic AI is to take an AI system and make it more autonomous and less and less human involved,” Haider said. “There’s a demand for it, both from the consumer perspective and some dealers” to make the vehicle sales process more efficient and responsive.

One of the companies Reynolds has partnered with to expand its AI capabilities is STELLA Automotive AI, which uses agentic AI to help dealerships streamline scheduling and customer communications.

STELLA began by automating dealership phone calls to ensure customer inquiries were always answered and has since evolved into a broader model, in which multiple AI agents work together to handle a wider range of dealership tasks, company CEO Rich Sands said.

“We have several custom-engineered agents doing things for dealerships, and it creates [what is essentially an agentic] workforce,” Sands said. “When you connect the AI workforce with your human workforce, dealers can realize significant enterprise productivity and efficiency gains.”

Stella integrates with dealership management systems, customer relationship management platforms and other tools to manage both inbound and outbound customer communications across phone, text, email and web chat. By automating routine communications, dealership staff now have the time to focus on more valuable tasks such as face-to-face customer interactions, Sands said.

Dealers are ramping up focus on AI and agentic tools. Vince Sheehy, president of Virginia-based Sheehy Auto Stores, a STELLA client, said 2025 marks a major push for AI training and experimentation at his group, with this



“AI agents can compress processes that once took days into minutes.”

— Marianne Johnson, Cox Automotive chief product officer

ARTIFICIAL INTELLIGENCE 101

- **Artificial Intelligence:** Any program or machine that can simulate human intelligence to solve problems and learn from experience
- **Machine Learning:** A subset of AI in which systems learn patterns and improve their performance as they are exposed to more data
- **Deep Learning:** A subset of machine learning that uses multi-layered neural networks to learn from vast amounts of data and recognize complex patterns like images, sound and text
- **Generative AI:** A category of deep learning that can create new and original content such as text, audio and video based on patterns learned from its training data
- **Large Language Models:** A type of generative AI trained on massive amounts of text data to understand human language and generate human-quality text in response to prompts
- **Agentic AI:** An advanced AI system that learns from patterns and has the autonomy to execute complex tasks without step-by-step instructions; AI agents can set or interpret goals, make decisions and take real-world action independently — such as updating a database or setting up a service appointment



Source: Presidio research, Cox Automotive

year’s planned annual training spend the highest ever for the group.

AI as a support tool is going to have a huge place at the dealership, Sheehy said, and agentic AI specifically “will be a game changer.”

“We need to make sure we’re as technologically advanced as we can be,” Sheehy said.

That said, there are “some dangers there, too,” particularly around proprietary company information and customer information, he said. Sheehy advocates for an incremental approach and is cautious right now about “letting AI out there on its own.” The company recently revamped its employee manual to prominently include a section on AI.

Dealer Finley Ewing IV, CEO of Ewing Automotive Group in Texas, has been an early adopter and active experimenter with agentic AI tools, particularly through a pilot with growing DMS provider Tekion.

Agentic technology should provide powerful support to dealership staff, Ewing said.

“It’s like a co-pilot for you,” he said. “How can you

use the technology to make you a better, more powerful version of yourself?"

Tekion launched its agentic platform in March, with a service-focused tool as the first in a suite of agentic software for automotive retail. Tekion envisions its digital agents will expand from assistance into full workflow automation, executing tasks and actions on behalf of users and organizations. Examples include identifying necessary repairs and coordinating next steps in the service department.

"We're moving beyond insights to real action — automating workflows, enhancing efficiency and empowering dealership teams to deliver an unparalleled customer experience," Tekion CEO Jay Vijayan said when the platform was launched.

Ewing, who worked with Tekion on the beta version of the product, said an AI tool needs to improve operational efficiency or the customer experience to be implemented at his dealership group. Ewing Automotive has seen significant benefits such as reduced manual labor from automating accounting processes, such as floorplan payoffs and warranty credit memos.

Using agentic AI for tasks that are mundane or prone to

HOW READY ARE DEALERS FOR AI?

Dealerships using artificial intelligence tools report improvements in revenue and profitability, but trust in the technology remains a significant barrier to dealer adoption, according to a new study by Cox Automotive. Other findings of the study, informed by a survey of 537 franchised dealership leaders, include:

- 81% of dealers believe AI is here to stay
- 75% of dealers want to learn more about AI's benefits
- 74% of dealers cite risks from inaccuracies or errors as their top barrier to AI adoption
- Data quality and transparency will help build dealer confidence in AI tools
- Dealers fully leveraging AI tools are much more likely to report revenue growth, efficiency gains and higher profitability than those just dabbling
- Marketing is a primary area for early dealership AI experimentation



Source: Cox Automotive



"We need to make sure we're as technologically advanced as we can be."

— Vince Sheehy, Sheehy Auto Stores president

human error makes sense for the dealership group, Ewing said. But he cautioned that his group will only automate tasks that staff fully understand, warning that building AI logic around poorly understood processes could lead to problems.

Ewing's other note of caution: All AI — whether agentic or something else — is only as good as the information it has. More work around data integrity and segmentation needs to happen, he said.

When the data can be harnessed, agentic AI can become truly transformative, Cox Automotive's Johnson said.

"Of course, this power doesn't come without responsibility," she said, adding that Cox Automotive has created a robust governance framework to ensure AI is deployed safely, securely and ethically.

Johnson also forecasts that a year from now, AI agents will be handling most routine automotive workflows. "The dealers and OEMs preparing for this reality today will own tomorrow's market," she said.

Cobb echoed that notion.

"Dealers shouldn't let this shift pass them by," he said. "Agentic AI is poised to dramatically change the way we manage data, connect systems and deliver value — those who embrace it will lead the industry's next chapter."

Bottom line: Agentic AI is no longer a distant prospect. It is already changing how work gets done in dealerships. As the technology matures and adoption spreads, the expected winners will be those who move quickly, invest in robust governance and reimagine their operations for a new era of agentic AI-enabled automation.

PRESIDIO AUTO TECHNOLOGY SUMMIT SPOTLIGHT

Tech innovation meets capital at Presidio conference

As the auto industry weighs the potential transformational effects of artificial intelligence and the changes in the vehicle marketplace space, the third annual Presidio Auto Technology Summit shed light on those topics and more.

Technology entrepreneurs, investors and dealers were center stage for the one-day, sold-out event in Denver on Oct. 21.

Those stakeholders are collaborating to find a winning formula as the industry moves at a lightning pace toward an uncertain — yet highly advanced — future.

Among the themes discussed at the Presidio event: operational efficiency through AI; the movement of capital to highly focused and effective retail innovations; the use of data at the dealership level to make more efficient decisions; and, in a keynote conversation, the dynamics of Amazon’s entry into auto retailing.

The Presidio Auto Technology Summit had the support of lead sponsor JM Family Enterprises, platinum sponsor Amazon Autos and gold sponsors NCM Associates, Cox Automotive and Cars Commerce.

For more information on the lineup and on future Presidio events, visit thepresidiogroup.com/events.



Presidio CEO Brodie Cobb opened the third annual Auto Technology Summit held at the Denver Art Museum with a welcome to the sold-out crowd.



The Coffee and Connections morning reception is a place where deals get done. Karl Murphy and Connor Finnegan of Spiffy talk with MSX’s Andrea Sorrenti.



Attendees online and in the room viewed Drive-In LIVE — a conversation between Presidio Managing Director Jason Stein and Kevin Tynan, Presidio’s director of research.



At the Coffee and Connections networking reception, investors, entrepreneurial start-ups and established tech companies had the chance to meet.



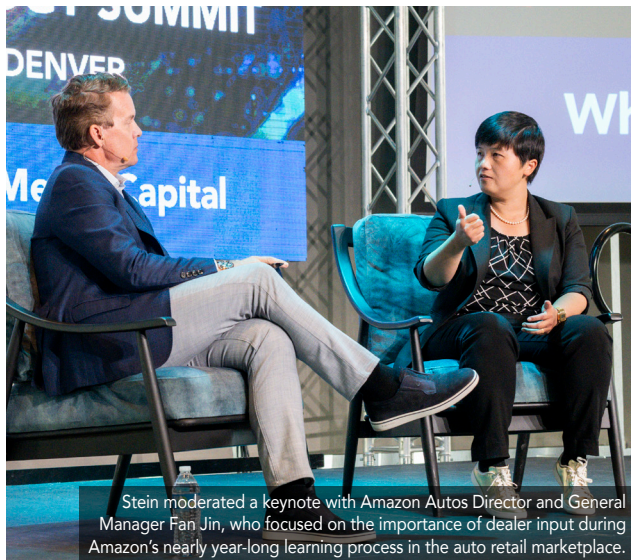
FM Capital's Chase Fraser (far left) moderated a panel on capital with (left to right) Ben Cukier, Centana Growth Partners; Sidney Haider, Reynolds and Reynolds; and Zachary Milles, Warburg Pincus.



Stein moderated a panel focused on tech-minded dealers, featuring (left to right) Jeremy Beaver, Del Grande Dealer Group; Steven Dougherty, Ken Garff Automotive; Terence Rasmussen, CarMax; and Julien Schneider, Cars Commerce.



Tekion CEO Jay Vijayan had a one-on-one conversation with Stein, outlining the benefits of investing in the auto retail tech sector.



Stein moderated a keynote with Amazon Autos Director and General Manager Fan Jin, who focused on the importance of dealer input during Amazon's nearly year-long learning process in the auto retail marketplace.



Stein closed the day with the chance for the audience to ask questions of Amazon Auto's Fan Jin, Cox Automotive's Marianne Johnson, DriveCentric's Matt Leone and Tekion's Jay Vijayan.



Stein led a conversation on data with (left to right) Force Marketing's John Fitzpatrick; Matt Leone, DriveCentric; Pearl Percy, JM Family; and Steve White, Clarivoy.



Maroon USA's William Knowles (far left) moderated a discussion on artificial intelligence with (left to right) Marianne Johnson, Cox Automotive; Michael Quigley, Impel; and Jameel Ghata, PAVE.

DEALERSHIP TECH SPOTLIGHT

Presidio highlights technology companies adding value to the auto retail ecosystem via innovations that enhance customer experience, drive revenue, improve efficiency and increase profitability. This quarter's focus: Vehicle marketplaces and the largest new entrant in that space, Amazon Autos.



Amazon Autos, the vehicle marketplace launched last year by the world's largest online retailer, began with a partnership with Hyundai and its dealership network to sell new cars and trucks on Amazon's platform. In 2025, it expanded to used vehicles, starting with inventory from Hyundai dealers and adding former rental cars via a partnership with Hertz. Now active in 130-plus cities, Amazon aims to add more auto brands, positioning itself as a significant new force in automotive retail.

While the venture has raised concerns for some, it's important to understand that Amazon's entry into auto retail is not to compete with dealers but rather to establish a powerful distribution channel for dealers that allows Amazon to tap into a \$15 billion-plus pool of automotive advertising dollars. Presidio's understanding is that Amazon has no interest in interfering with a dealership's gross profit from vehicle and F&I product sales.

The tech giant's cooperative message and vast reach to consumers, both known and unknown to dealers, offer compelling reasons for auto retailers to consider the platform.

"Dealers are absolutely critical throughout the process. We're providing dealers with access to a large new channel, a powerful channel for selling cars to a broad set of customers that know and trust Amazon," said Amazon Autos Director Matt Nuffort on The Presidio Group's Full Throttle podcast earlier this year. "It's very much a partnership."

Presidio CEO Brodie Cobb calls Amazon a game-changing opportunity for dealers to trim costs and boost profitability while meeting customers where and how they want to transact. After buying online, a customer can pick up their car at the dealership or have it delivered where they choose.

"The real power of Amazon Autos is its flywheel effect," Cobb said. "As more brands and inventory are added, the marketplace becomes more attractive to buyers, which in turn draws in more sellers. This dynamic can accelerate growth and efficiency for participating dealers."

Dealers should pay attention because the payoff for them includes lower sales commission per vehicle, reduced ad spend and decreased headcount. Presidio estimates average savings could ultimately reach as high as \$1,000 per vehicle, depending upon brand and geography dynamics.

Dealership sales staff would still be essential, but fewer would likely be needed as they'd perform with higher productivity under a modified commission structure. And advertising costs will drop as dealers narrow their ad dollars to focus on Amazon marketplace visitors.

Another reason to pay attention? Presidio believes large two-sided marketplaces like Amazon traditionally have been selective, working with a fraction of available vendors. While Presidio hasn't discussed this with Amazon, it could be that Amazon Autos signs up perhaps a quarter of all franchised rooftops — 4,500 or so — if it determines that provides substantial national coverage. That means dealers who partner with Amazon early could gain a significant competitive advantage over dealers who don't participate.

At Presidio, we constantly strive to see where the puck is going. In this case, we believe Amazon stands a great chance of building a massive and successful marketplace where dealers and consumers can transact for vehicles and all services and products surrounding their purchase.

RECENT AUTO TECH TRANSACTIONS

Deals focus on AI, logistics, inspection and EV tech



June 2025: Recharged, an electric vehicle marketplace, raised a **\$2 million** seed round led by Gutter Capital. The funding will support Recharged’s next phase of growth through 2025, including expanding its sales, operations and engineering teams and enhancing product development.



August 2025: TSD Mobility Solutions, a Reynolds and Reynolds subsidiary providing rental management software and services to auto dealerships and rental car companies, acquired **Fleetlane**, a mobility and fleet management software company, for an undisclosed amount. The purchase expands TSD’s technology options and strengthens its fleet management tools in the U.S. and Canada.



August 2025: Fullpath, an artificial intelligence-enabled customer data platform for auto retailers, acquired **Dynamic Payments**, which automates VIN-specific offers to vehicle shoppers, from Fuse Autotech for an undisclosed amount. The purchase aids Fullpath’s support of dealership sales activity by ensuring online offers are relevant and reflect real-time inventory.



August 2025: Pam AI, a telephony AI voice agent and customer experience platform for dealership service departments, raised a seed round of funding. The amount raised was not disclosed. Autotech Ventures led the round, with participation from HF0, First Harmonic, Geneva Pacific and others. The money will help Pam accelerate hiring, strengthen integrations and expand into sales and parts.



September 2025: Cox Automotive, acquired full ownership of **Alliance Inspection Management**, which provides vehicle inspection and management services to manufacturers, dealerships, rental fleets and auctions. Cox, which had held 50% of AiM for nearly a decade, purchased the rest from Nissan Motor Acceptance Corp. for an undisclosed amount. The deal expands inspection capabilities for Cox’s Manheim unit and adds support capacity for dealers.



September 2025: BizzyCar, a recall and mobile service management platform for dealers, raised **\$20 million** in a Series B round led by Dealer Tire. The capital will fund AI-led product development, expanded platform capabilities and scaling of operations.



September 2025: Solifi, a provider of secured finance technology, acquired **DataScan**, a wholesale finance and inventory risk management software provider, for an undisclosed amount. The acquisition strengthens Solifi’s position in secured and commercial finance lines.



September 2025: RunBuggy, a technology platform connecting vehicle shippers and haulers raised **\$37 million** in a Series B round led by Centana Growth Partners assisted by The Presidio Group. RunBuggy enables shippers to integrate transportation services, reducing costs and improving delivery times. The funding will accelerate product development and support expansion.



September 2025: Mudd Advertising, an automotive marketing and technology company, acquired **DealerTrend**, a provider of dealership websites, inventory management and API-driven integrations, for an undisclosed amount. The acquisition strengthens Mudd’s marketing, customer data platforms and omnichannel campaign execution.



The Chinese EV exports reshaping international auto markets may eventually land in the U.S.

The U.S. auto industry, as one of the last markets that has not surrendered meaningful market share to China-made vehicles, may be the final frontier for Chinese automakers. If Chinese manufacturers bring their electric vehicles to the U.S. — and they elect the franchise model — dealers will have the chance to get in on the ground floor of a potentially lucrative opportunity even as they manage shifting revenue mix among their portfolio of brands. Automakers, however, face a direct threat of lost market share. In the large and mature U.S. market, with low growth rates, any volume gains by Chinese manufacturers would come directly from already established vehicle brands. By contrast, dealers can offset declines from their legacy-brand stores with gains from dealerships representing new entrants. And those entrants seem likely to choose franchising. Chinese automakers will need to rapidly develop distribution scope, scale and expertise, and the established U.S. franchise dealer network is well positioned to serve as their retailing channel.

Decades of manufacturing and supply chain building make China the world's leading exporter

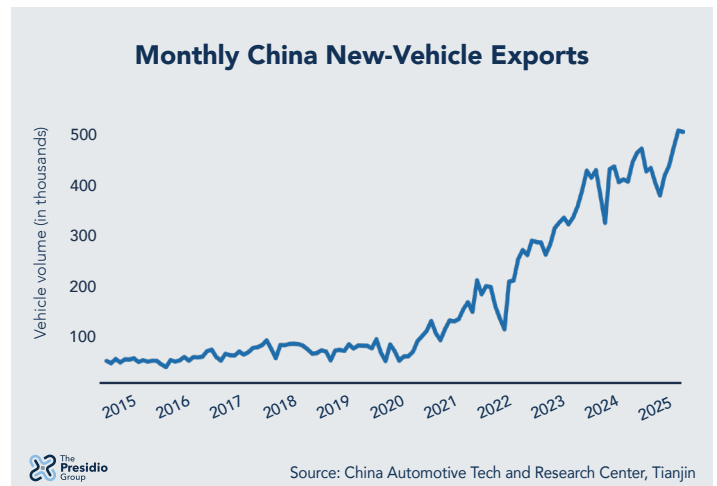
Over the last few decades, China has accelerated its manufacturing prowess to become the world's exporter. As other countries have become more dependent on its output, China has become less dependent on commodities, goods and services from trading partners. China exported

\$3.6 trillion in merchandise in 2024, the most of any country and 14.6% of the world's total. China's share of global exports jumped by 13.9 percentage points between 1970 and 2024, while the U.S. lost 5.2 points of share during that same period and has been below 10% since 2002.

China has gained traction with its affordable vehicles, making automobiles a key manufacturing export

The volume of finished vehicles exported from China has soared since 2014 and represented 6% of global unit sales in 2024. While China has the ability to produce nearly 50 million new cars and trucks annually, its 59% capacity utilization rate indicates that its production capabilities have outpaced domestic and export demand for its vehicles. Meanwhile, developed countries with their own domestic manufacturing capacity have begun to push back on China exports. As a result, the pressure on Chinese automakers to break into the large and profitable U.S. market will intensify in the coming years.

The Chinese government's subsidization of the country's auto producers has positioned Chinese manufacturers as formidable international competitors. By backing extensive domestic mineral extraction and processing, China aims to create electric energy independence and ultimately convert export markets to its electric drivetrain technology. China is on pace to export a record 5.2 million





BYD electric vehicles at a port in Suzhou, China, are waiting to be loaded on to container ships for global export.

new passenger vehicles in 2025. In 2015, the country exported fewer than 500,000 — making for a compound annual growth rate of 28.6% over ten years. During the same period, U.S. vehicle exports, measured in dollars, have increased by just 0.5% compounded annually.

The encroachment into foreign markets is expected to continue. The Chinese government has the wherewithal to subsidize the losses of China-based automakers for an extended period — long enough for them to take market share from the domestic automakers in export markets. The Asian, European and U.S. governments cannot compete dollar for dollar with China's heavy subsidies. From 2009 through 2024, the U.S. government subsidized electric vehicle development with \$15 billion in federal tax credits to automakers and less than \$3 billion to consumers. Meanwhile, China's government is estimated to have directly subsidized its automakers with \$230 billion, about \$18,000 per electric vehicle, during the same period.

European automakers losing the EV market to China is cautionary tale for U.S.

The diesel emissions scandal that came to light in 2015 left Europe open for a change in drivetrain technology. The European Union subsequently implemented emissions-reduction requirements that forced its domestic automakers to transition to electrification before their supply chains and technology were competitive. In recent years, Chinese manufacturers leveraged the scale of its supply chain and technology investments, enabling it to quickly pick up large swaths of Europe's market.

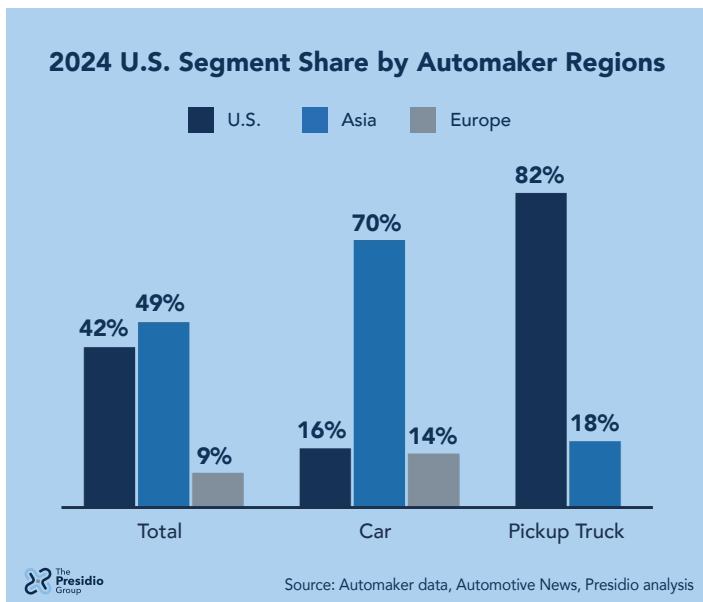
The European Commission reported that market share of China-built EVs (including foreign automakers with operations in China) was 27.2% in the second quarter of 2024, up from 3.5% in 2020. By October 2024, EU member states had approved increasing tariffs on electric vehicles built in China — to as high as 35.3% for Chinese EV maker SAIC — in a bid to level the competitive landscape. More recently, to avoid the confrontational implications of tariffs while attacking the subsidies China hands to its automakers, the EU's discussions on China have centered on implementing minimum prices for Chinese EVs selling in Europe.

Germany and the United Kingdom demonstrate the sales momentum of Chinese automakers. For 2025 through June, Chinese automakers represented 11.7% of the U.K. market, marking a 3.4 percentage point share gain and a 45.2% increase in sales volume. In Germany, unit volume of Chinese brands increased 20.9% through August in a market that declined 1.4%. That translated to the Chinese makers holding 4.1% of Germany's total volume, up from 3.4% through the first eight months of 2024.

Legacy brands face market share realignment when and if Chinese brands arrive

The entry of Chinese automotive brands into the U.S. would likely trigger an immediate market share shuffle, much like what was experienced with the influx of Japanese and European brands after World War II.

A push into the U.S. by Chinese brands would likely most disrupt the Japanese automakers that themselves disrupted domestic brands when they first entered the U.S. market. In 1960, as Toyota and Nissan were the first



Japanese brands getting acclimated, Chrysler, Ford and General Motors commanded more than 80% of U.S. market share. The oil and gasoline crisis of the 1970s pushed consumers to smaller, more fuel-efficient Japanese vehicles. By 1980, the Japanese brands commanded 21% of all new-vehicle sales in the U.S. South Korean brands later made inroads in the lower-priced segments. By 2024, all Asia-based brands — including Hyundai, Kia and Genesis of South Korea — accounted for 46.7% of U.S. volume, while the share held by Ford, GM and current Chrysler parent Stellantis had dropped to 37.9%.

Those Japanese and Korean brands are likely to be the most vulnerable in the U.S. to China's encroachment, particularly in car segments, given Chinese brands' key selling points of affordability and efficiency. Japanese and Korean brands currently dominate the U.S. passenger car market, holding a 70.5% share. U.S. domestic manufacturers have largely ceded that segment, holding just 6.7% of share.

While Chinese brands would still threaten domestic share, those U.S. brands have reduced their vulnerability by moving upmarket and to higher-priced truck segments. Ford, GM and Stellantis commanded 80% of total U.S. pickup truck volume in 2024, including 92% of full-sized pickups. The U.S. makers have handily defended the profitable pickup space from Japanese brands for decades.

Franchised dealers can offset share losses from their existing brands by turning to new market entrants

Unlike the tenuous position and potential market share loss automakers face from Chinese brands, the dealer base

would have the opportunity to add Chinese-brand franchises and sell the new products coming to market. In addition to that new-vehicle sales volume, Chinese-brand dealerships would generate ancillary revenue streams from used vehicles, parts, service and finance and insurance. From a strategic standpoint, Chinese automakers are highly likely to sell through franchised dealers, like they do in most of their markets. Using the franchised model in the U.S. would allow them to quickly build distribution scale.

While existing Asian brands could be the most at-risk to lose market share to Chinese entrants, their dealers could find a complementary offset. Chinese makers have EV-heavy product portfolios that could fill a gap for dealers representing Japanese brands that have been slow to offer battery electric vehicles. Dealers representing Japanese and Korean brands also have the financial wherewithal to take a chance on newly introduced Chinese brands, given their likely long-term profitability stemming from robust sales throughput at their existing stores. Dealers selling Asian brands in the U.S. boast the market's highest new-vehicle volume per franchise. The new-vehicle sales run rate for Toyota stores so far in 2025 translates to an average of 1,700 new vehicles sold per franchise when annualized, while the run rate for Lexus would make for 1,400-plus new vehicles sold per outlet this year. And Honda, Subaru, Hyundai and Kia are all on pace to top 1,000 new vehicles per franchise for full-year 2025.

The total franchise count in the U.S. has declined every year since 2017, keeping sales per franchise at a profitable level during the period. While the introduction of Chinese automakers into the U.S. could mean market share shifts for existing brands, the impact on dealers could be a net positive as they gain the opportunity to sell low-priced vehicles subsidized by China that can fill the widening affordability gap for U.S. consumers.

One final note of caution for North American dealers, though: The process of integrating new Chinese brands may initially come with growing pains. While established brands and their dealers have navigated their relationship for more than a century, Chinese brands in some cases are struggling with the dynamics of working efficiently and collaboratively with franchised dealers in South America and Western Europe. Reports of tension and inefficiencies between dealers and their Chinese partners in new markets have surfaced, and the friction is both cultural and rooted in inexperience. Time will tell how quickly those issues are resolved.

Meet the Team

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



Brodie Cobb
CEO



George Karolis
President



Keith Style
COO



Jason Stein
Managing Director



Alex Watterson
Managing Director



Erika Bevers
Marketing Associate



Pete Constantinides
Analyst



Diane Durbin
Chief of Staff



Nick Klass
Associate



Haakon Mathiesen
Analyst



Lauren Pfohl
Chief Marketing Officer



James Reece
Analyst



Adam Schraudenbach
Associate



Brian Sorrell
Vice President



Susan Stein
Chief Administrative
Officer & Controller



Dean Trapani
Analyst



Kevin Tynan
Director of Research



Amy Wilson
Director of Publishing



Scott Zienkewicz
Principal

PRESIDIO PERSPECTIVES: LEADING VOICES

Automotive is one of the world's largest industries and is going through the greatest amount of change in its history – The Presidio Group helps you stay up-to-date on all the latest market news and industry insights through the following channels:



The Presidio Group Conferences

Each spring, the single-day Presidio U.S. Auto Retail Conference brings together industry titans to discuss the direction of automotive retail.

Each fall, the Presidio Auto Tech Summit connects entrepreneurs with capital in a unique format featuring over 20 speakers.



Full Throttle Podcast

From legendary dealers to up-and-coming technology entrepreneurs, our Full Throttle audio and video conversations focus on innovation and game-changing trends. Listen to our library to hear from 35+ industry leaders who are making news.



Hosted by **Jason Stein**

Market Insights

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



Published by **Kevin Tynan**

Quarterly Report

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



Led by **Amy Wilson**

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