

Presidio Perspectives:

# **A Quarterly Outlook on Auto Retail and M&A Trends**

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**FOURTH QUARTER 2024**

# Growing stabilization, increased optimism

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

This report includes Presidio-NCM Average Dealership Performance Benchmark data and the results of our 2024 Year-end Presidio Dealer Direction Survey, both of which point toward growing stabilization of dealership profitability well above pre-pandemic levels. Our survey revealed improved dealer optimism with 65% of respondents saying they expect to maintain or improve profitability in the next 12 months, up from 37% in our 2024 mid-year survey. The 2024 election was a key factor with 72% saying they were more optimistic about auto retail's future post-election. As average dealership profitability begins to level out, a new post-pandemic normal may have arrived.

The normalization process has underscored that brands and geography matter more than ever as some automakers have aligned production, inventory and incentives better than others. To highlight the industry's most desired brands, we introduced Presidio's Magnificent Seven last month. These seven brands — Toyota, Lexus, Subaru, Honda, Porsche, BMW and Mercedes-Benz — have consistently topped our Presidio Brand Desirability Ranking.

Our Presidio Valuation Index upgrades blue-sky multiples for Mercedes-Benz, Land Rover and Mazda as dealers viewed them more positively and their market position strengthened. Though we didn't increase its multiples, Subaru continues to be a brand to watch, given its popularity among dealers we surveyed. With earnings normalization looking to be at its tail end, we made reductions broadly to our revenue multiplier percentages, a proprietary valuation pillar looking at blue sky as a percentage of revenue.

Looking toward 2025 and beyond, we begin our report with Presidio Director of Research Kevin Tynan's outlook for structural change in 2025 and analysis of how dealers are positioned to manage through a lower margin environment as their automaker partners address overcapacity. And we wrap up our report with an eye toward disruption as we examine Amazon Autos and highlight potential benefits for dealers who sell vehicles through the world's largest marketplace.

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



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## 2025 — A year for structural change on overcapacity?



**Kevin Tynan**

Director of Research  
The Presidio Group

The new year brings the potential for significant adjustments in the U.S. automotive industry as franchised retailers wait to see whether structural changes at their automaker partners will fix the global overcapacity trap that is boosting unit volumes while compressing profit margins. Retailers and consumers may benefit from the uncertainty as dealerships are tasked with maintaining a high level of throughput and more shoppers may be incentivized into buyers.

A longer view of the situation includes the potential for consolidation of brands and rationalization of capacity in the automobile manufacturing base. Many automakers and suppliers including BMW, Bosch, Mercedes-Benz, Rivian and Volkswagen have made a first pass at reducing costs — some focused on China.

While the proposed Nissan-Honda merger never got out of the negotiation stage, that effort was a more ominous sign that the industry has too many competitors vying for a shrinking pool of global demand. Dealership M&A activity may grow in 2025 due to the visibility and stability of retailer earnings, but a critical pillar will be the rightsizing of the auto industry across the value chain.

Franchised dealers will continue to navigate political and regulatory uncertainty even as the Trump administration assumes control through 2028. Fuel economy and emissions standards have been difficult to achieve for manufacturers, leading to demand-challenged and financially disadvantaged electric vehicles occupying a larger part of the industry's product portfolio. The immediacy and depth of relief to automaker and dealer profitability that could come from potentially relaxed

standards should become clearer in 2025.

As dealers see support for relief from EV mandates, attention has cycled back to the threat of a direct sales model. But a direct sales strategy makes little financial sense for manufacturers, as many automakers have proven unable to maintain the tight supply-demand balance of 2021 and 2022 that resulted in fast and profitable vehicle retailing. The surge in output has rebuilt U.S. inventory

back above the 3-million-unit level for the past several months — a far cry from the supply trough of 800,000 in October 2021. If the U.S. operated under a pure direct sales model, that current 3 million units of inventory would represent \$144 billion of goods sitting unsold on automakers' balance sheets instead of with

the dealerships that now assume that burden.

### Dealers are left to manage declining margins as automakers address overcapacity

The U.S. auto industry faces an intensifying structural cost reckoning as automakers' product portfolios are anchored by higher-priced, wider-margined vehicles in order to maximize profit contribution. That leaves franchised dealers holding growing inventory of the most expensive trim levels. The strategy of covering fixed costs with a richer mix of vehicles at higher margins means sacrificing the higher volume potential likely with more affordable vehicles. This strategy is fundamentally different from the historical tendency of automakers to create a flexible and soft pricing environment to create demand. By 2013, all automakers had broken away from their dependence on high-volume, low-margin sales to cover perpetually inflating costs.

When supply and demand are out of balance, franchised dealers are left with bloated inventory — and the high transportation and carrying costs that compress their margins in the current inflationary environment.

**Takeaway:** Dealers in 2025 will navigate the challenges posed by overcapacity and higher inventories as automakers wrestle with how to make long-term structural cost reductions.

The transition to higher new-vehicle transaction prices in the U.S. has enabled automakers and dealers to expand the retail revenue pool even with fewer units being sold. A 39.7% increase in the average transaction price between 2024 and 2016's peak volume year of 17.5 million new vehicles has added \$160 billion to the retail revenue pool even as dealers have sold 1.6 million-plus fewer cars and trucks. The prioritization of profitability over volume since 2013 has been the industry's main earnings driver, but that now leaves many global automakers with excess capacity and a bloated cost structure — a condition made more tenuous when consumers temper their demand in reaction to inflation or worsening macroeconomic conditions.

While many automakers are still trying to grab market share by lowering prices, BMW, Ford, Nissan and Volkswagen have announced headcount reductions and idled plants. Expectations are that more manufacturers will have to trim production capacity and costs when more discounting and incentives fail to kickstart U.S. demand in 2025. In the interim, franchised dealers can expect little relief from a slowdown in production, and there is risk that inventory levels could increase in the event that auto sales hibernate in the first quarter of 2025 in a post-holiday spending hangover. Excess supply is likely to create margin pressure for manufacturers and dealers during the first half of 2025.

### Dealership volume and profit equilibrium is tenuous if manufacturers push production

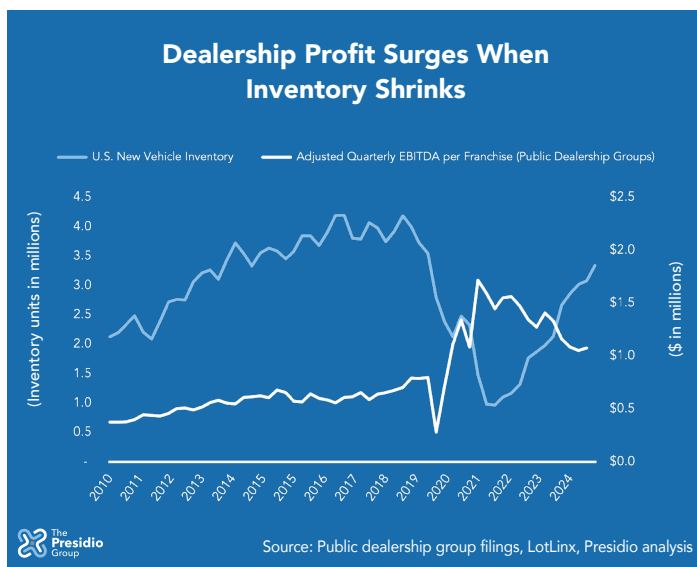
The rate of profit decline for franchised dealers is starting to stabilize. There is still risk, however, that additional unit

volume growth in the U.S. will be paid for with another round of margin compression. Earnings for the average dealership in all of 2024 slid 24.4% compared with 2023, according to the Presidio-NCM Average Dealership Performance Benchmark. While steep, that decline notably bettered the 30.4% decrease recorded for the first nine months of this year.

For the six publicly traded dealership groups, adjusted earnings before interest and taxes on average were their lowest since 2019, when new-vehicle sales were more than one million units higher. The inverse relationship between profit and volume held through the pandemic period as the public peer group's earnings reached a record \$6.6 million per franchise in 2022 even as new-vehicle sales for that year dipped to 13.9 million, the lowest total for the industry since 2011.

Automakers have exhibited some rationality on production as the total number of vehicles assembled in the U.S. grew by 4.5% in 2024, ahead of the 2.2% gain in overall unit sales for the year and making inflating inventory levels a concern. The North America production mix was more noteworthy than the year-over-year change, as the output of cars fell 9.5% and represented only 17.5% of total builds — the lowest level on record and continuing to slide. Light truck production increased 5.9%, indicating that the industry's supply profile will remain focused on higher price points to drive per-vehicle profit contribution.

If inventory settles near 3 million units — without significant accumulation of unsold vehicles beyond that level — retailers will have ample supply to generate healthy transaction counts that can drive activity in the other parts of the business producing higher margins — financial services, parts, repair and maintenance, for example. Production discipline that maintains supply-demand balance will be challenging for manufacturers if the cost of materials and production continues to increase, driving break-even sales levels even higher.



*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](mailto:ktynan@thepresidiogroup.com) or 631-671-9148 to discuss research topics.*



# PRESIDIO-NCM AVERAGE DEALERSHIP PERFORMANCE BENCHMARK

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

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

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

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

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

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

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

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

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

### Current Snapshot

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

Profit change year over year:

↓ 24.4%

Revenue:  
**\$83.9M**

↑ 0.7%

New vehicles retailed:  
**883**

↑ 2.8%

Used vehicles retailed:

**729**  
(no change)

Gross profit per new vehicle retailed:

**\$2,247**  
↓ 33.0%

Gross profit per used vehicle retailed:

**\$1,399**  
↓ 15.9%

F&I income per retail unit:

**\$1,581**  
↑ 0.3%



Source: Presidio-NCM Average Dealership Performance Benchmark

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

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

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

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

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

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

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

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

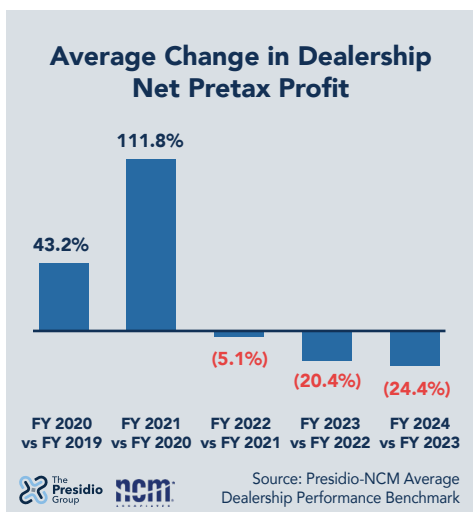
The luxury-brand segment once again outperformed the domestic and import-brand segments. The average luxury store experienced a 15.3% year-over-year profit dip for 2024 versus a 25.4% slide for domestic and a 26.6% drop for import.

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

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

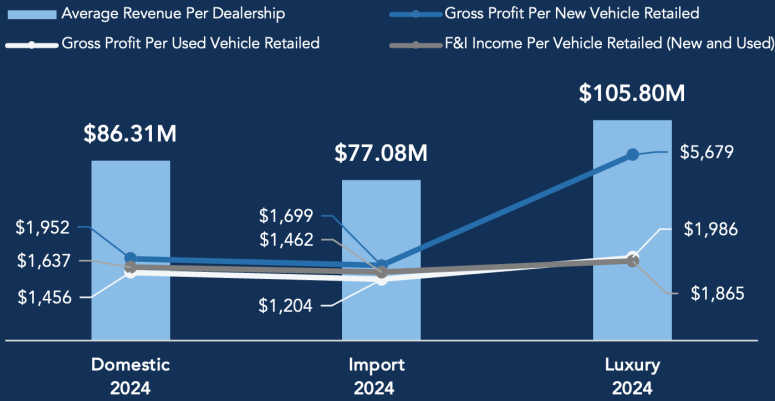
Average gross profit per new vehicle for import-brand stores dropped year over year to \$1,699. Gross profit per used vehicle was \$1,204. We continue to point out that though the import segment is seeing the steepest profit slide, certain brands in that segment — notably Toyota, Subaru and Honda — have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

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

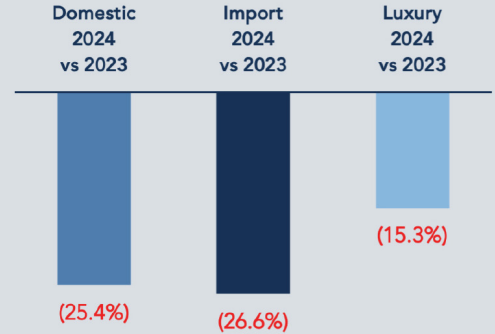


† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO

### Revenues & Per-Vehicle Gross Profit by Brand Segment



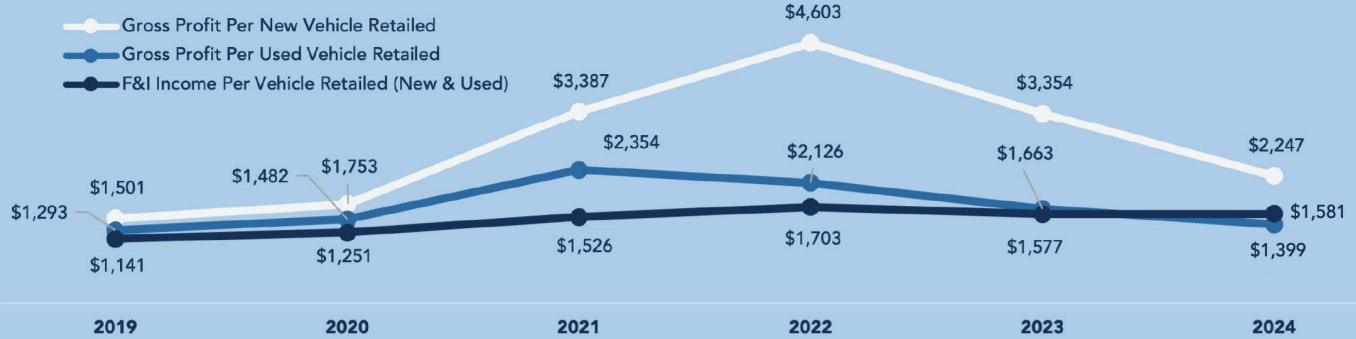
### Average Change in Dealership Net Pretax Profit by Brand Segment



Source: Presidio-NCM Average Dealership Performance Benchmark

Source: Presidio-NCM Average Dealership Performance Benchmark

### Average Dealership Per-Vehicle Profitability Metrics



Source: Presidio-NCM Average Dealership Performance Benchmark

### Average Variable Gross Profit & Personnel, Floorplan and Advertising Expense Per Dealership

(\$ in thousands)



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

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# PRESIDIO DEALER DIRECTION SURVEY

The Presidio Year-End 2024 Dealer Direction Survey highlights stabilization as the story heading into 2025. Many dealers view the worst of the drop-off from pandemic profit highs as being behind them. Their outlook about the future of auto retailing is broadly more optimistic following the conclusion of the 2024 election. And they expect parts and service to be the biggest driver of profitability for their businesses in 2025.

About 65% of dealers expect profitability to stay the same or improve in 2025. By contrast, just 37% of survey takers in Presidio’s midyear 2024 survey had the same expectation for the following 12 months. Respondents’ three-year outlook on profitability in the year-end survey was more optimistic than both their current 12-month view and their three-year view from the prior survey.

A similar pivot occurred around dealership valuations. Nearly two-thirds of dealers now expect values to stay the same or improve over the next year, up from less than half in last summer’s survey. Views on valuation over the next three years similarly improved.

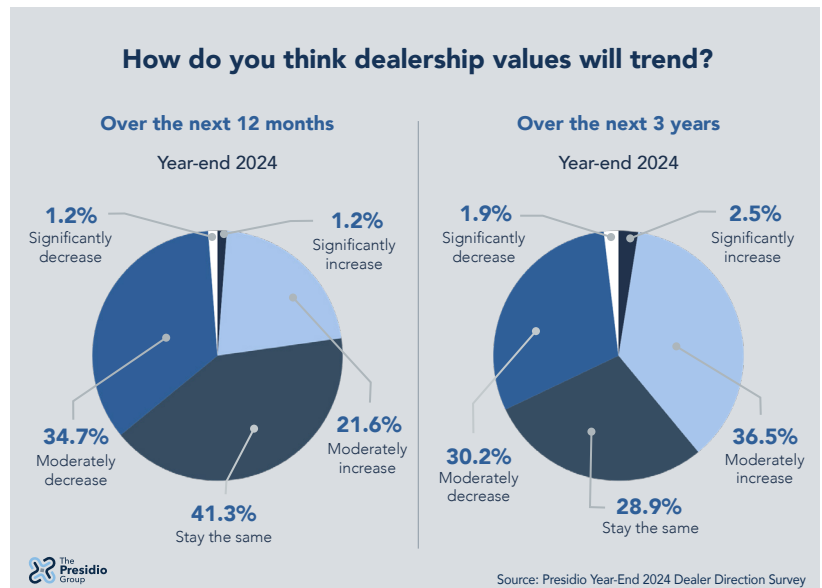
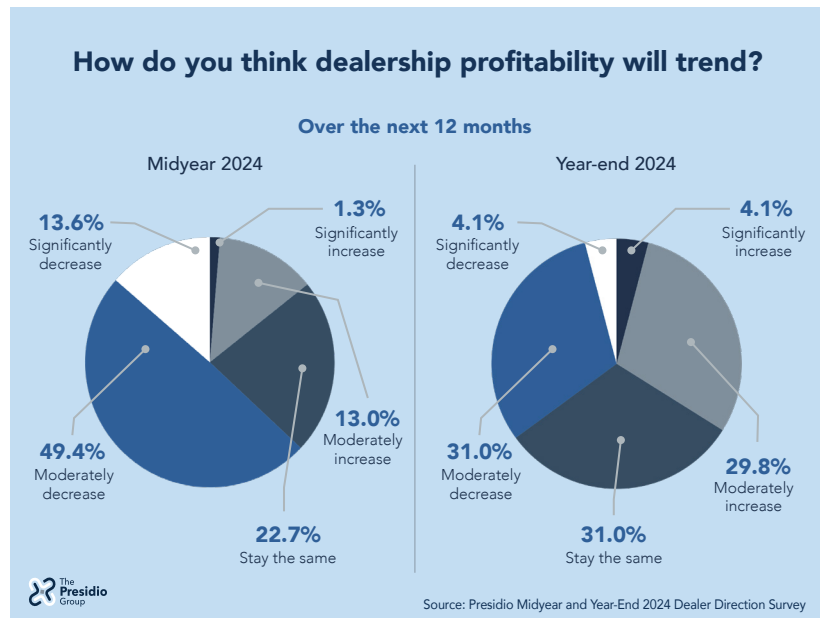
“There will always be more buyers than sellers for the right brands in the right markets,” one dealer wrote.

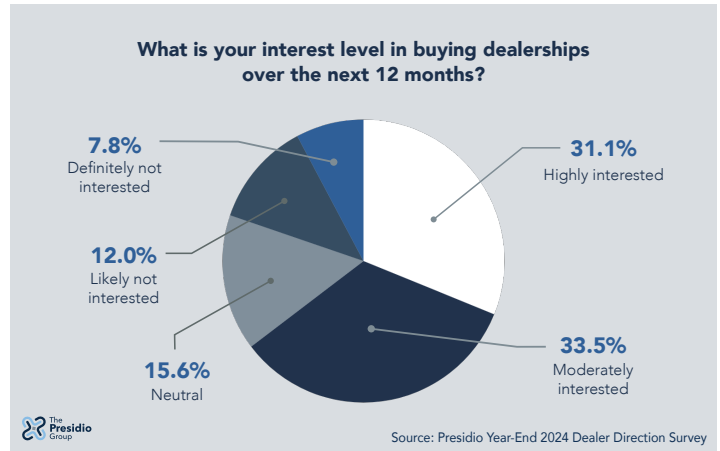
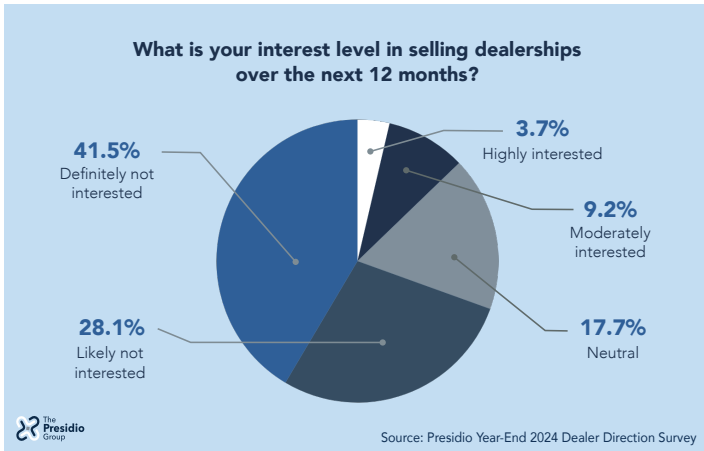
That taps into a key tenet the Presidio team is seeing in the marketplace: Brand and geography are more important than ever as the industry normalizes post-pandemic. The profitability and value of dealerships representing top-ranking brands in great locations continues to be strong, while dealerships representing struggling brands and located in less desirable markets have largely experienced bigger declines in operational performance and value.

“With three different franchises, I have three different expectations,” a respondent wrote.

The Presidio Dealer Direction Survey is conducted twice a year to provide a view into dealers’ outlook on profitability, valuations and the buy-sell market. The latest survey ran from Nov. 15 through Dec. 31 and aggregated responses from 175 dealers and top dealership group executives representing nearly 3,000 franchised stores. We also queried survey takers on the current and future operating environment and asked them to rate the most desirable brands to represent.

The results correspond with trends seen in the Presidio-NCM Average Dealership Performance Benchmark and with what dealers are personally telling our team. Normalization of profits from pandemic highs could be approaching a tail end, and the new normal looks like it will be higher for many than pre-2020.

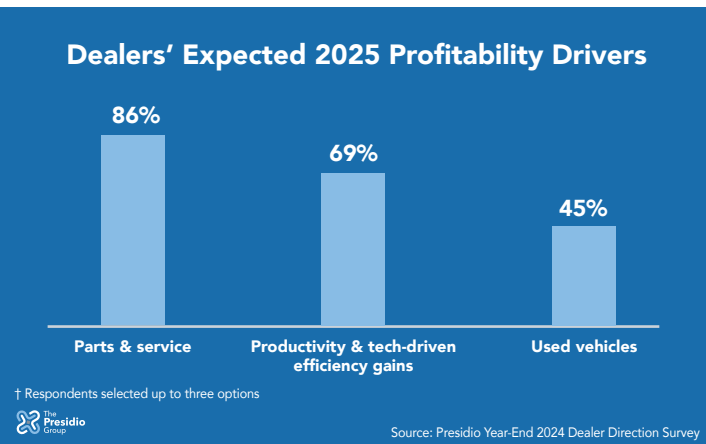




About 85 percent of dealers selected parts and service as one of the biggest drivers of business expected for 2025. Repair volume and industry labor rates are up across the industry in recent years, and several survey takers reported expanding their parts-and-service businesses with expectations for further gains. “We are preparing to grow our shops,” one dealer wrote.

Dealers could choose up to three factors expected to drive results. Productivity and technology-driven efficiency gains were selected by 69%. Used vehicles, selected by 45%, came in as the third most popular driver.

Dealers’ concern about inflation, interest rates, regulatory scrutiny and the chance of recession have eased post-election. Just over 72% said they are more optimistic in the wake of the election. The presidential administration change is expected



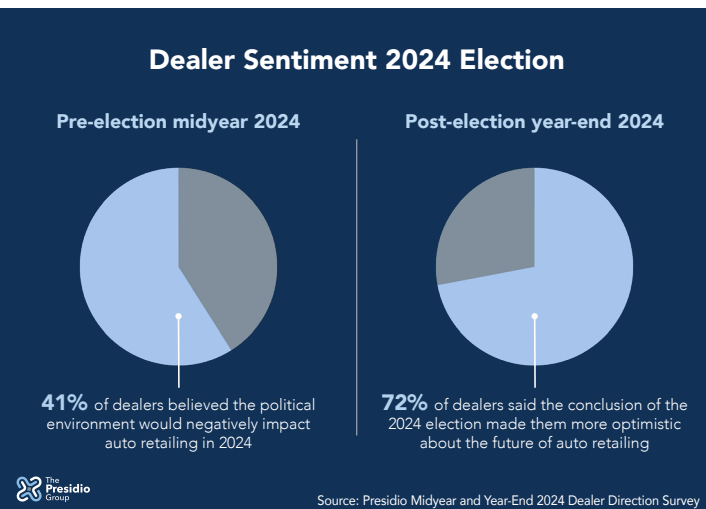
to produce a more business-friendly climate, and dealers already have seen interest rate easing by the Federal Reserve. That leaves them more focused on vehicle affordability and the electric vehicle transition as key near-term challenges.

“New-vehicle pricing has become astronomical,” one respondent wrote.

“Brands that bet wrong on EVs have a huge price to pay, and they will no doubt pass as much of their mistakes on to the dealer body as [they] can absorb,” another wrote.

Sentiment around buying and selling dealerships shifted slightly, with 65% now interested in buying compared with 69% in the summer. The share interested in selling rose, from 9% in the summer to 13% now. Dealers appear to be taking a more strategic, selective approach to M&A rather than pursuing growth for growth’s sake. The Presidio team expects robust buy-sell activity in 2025 as consolidators continue to seek scale and dealers indicate they want to clean up their portfolios and shed stores with challenging results or representing less-desirable brands.

While the survey data reveals growing optimism, dealers will continue to adapt their strategies as the industry normalizes in order to remain competitive and capitalize on emerging opportunities.





# PRESIDIO BRAND DESIRABILITY RANKING

Perennial leaders Toyota and Lexus again topped the Presidio Brand Desirability Ranking, but Subaru, a rising mass-market Japanese brand, entered the top echelon for the first time, jumping three positions to the No. 3 spot on the list and pushing Honda down to No. 4. German luxury brands Porsche, BMW and Mercedes-Benz followed, and Kia, Hyundai and Chevrolet rounded out the top 10.

“Seven brands have consistently led our ranking since we began surveying dealers in 2023,” said George Karolis, president of The Presidio Group. “These Magnificent Seven brands have maintained their dominance, even as the overall market has seen significant changes.”

The ranking is based on responses to the Presidio Dealer Direction survey, which asks dealers to rate the desirability of owning dealerships representing specific brands. We included most brands sold in the U.S. as options and presented some as clusters of brands commonly found under one roof — Chrysler-Dodge-Jeep-Ram or Jaguar-Land Rover, for instance. We also gave an option for ultraluxury brands (such as Aston Martin, Ferrari and McLaren) grouped collectively.

The most recent ranking by Presidio reinforced many of the dynamics our dealership buy-sell team is seeing in the market and underscores how important brand is when it comes to both performance and demand among buyers. Top-tier Japanese makes are most desired by dealers, followed by elite German luxury brands and then South Korean brands. Stronger domestic brands such as Chevrolet and Ford rank near the middle of the pack.

In addition to continued strength by Toyota and Lexus, the improvement by Subaru and the steadiness of Mercedes-Benz corresponds with interest levels among potential buyers observed by the Presidio team. Subaru’s ranking jump was the biggest among all brands. Dealers’ views of Nissan, Chrysler-Dodge-Jeep-Ram and Infiniti remain broadly negative, and these brands unsurprisingly occupy the bottom of the desirability list. But sentiment around the Stellantis brands may have bottomed out: The Presidio team is hearing more neutrality and even the occasional positive outlook on these brands, possibly because of the recent leadership changes at Stellantis.

As dealers consider retirement or divestitures to finetune their portfolios, they should expect buyers to be more selective than ever regarding brands and locations. Some dealers are clearly making a flight toward quality, shedding less-desirable franchises or operationally difficult stores and telling us they no longer want to deal with the challenges that can accompany such assets.

## Brand Ranking

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

TOYOTA	Toyota	9.27
LEXUS	Lexus	9.00
SUBARU	Subaru	8.13
HONDA	Honda	8.12
PORSCHE	Porsche	7.93
BMW	BMW	7.65
Mercedes-Benz	Mercedes-Benz	7.58
KIA	Kia	6.75
HYUNDAI	Hyundai	6.32
CHEVROLET	Chevrolet	5.75
AUDI	Audi	5.73
FORD	Ford	5.55
MAZDA	Mazda	5.10
JAGUAR LAND ROVER	Jaguar-Land Rover	4.64
GENESIS	Genesis	4.61
BUICK GMC	Buick-GMC	4.37
ULTRALUXURY	Ultraluxury	4.14
VOLKSWAGEN	Volkswagen	4.08
CADILLAC	Cadillac	3.69
ACURA	Acura	3.66
VOLVO	Volvo	3.27
LINCOLN	Lincoln	3.17
NISSAN	Nissan	2.90
JEEP RAM	CDJR	2.76
INFINITI	Infiniti	2.34

### The Presidio Group Magnificent Seven

These seven brands have topped Presidio’s ranking across four surveys in 2023 and 2024 with dealers rating them as highly desirable.



Source: Presidio Year-End 2024 Dealer Direction Survey



Source: Presidio Year-End 2024 Dealer Direction 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. Jason Stein, Presidio's director of multimedia and events, interviews some of the industry's key personalities and insiders — from legendary dealers to up-and-coming entrepreneurs.

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

Here are edited excerpts of recent interviews:



**Shortline Auto Group**  
**CEO Don Hicks**

**PRESIDIO:** How are the Chinese changing the landscape of vehicles that are either sold in different markets or that could be manufactured in this market?

**DH:** Everybody is concerned about the Chinese because they play the very long game. I believe that they would love to take over the automobile industry globally. And they think that they have the ability to do that. They are subsidizing their cars. They are selling them into Europe right now, and they are eviscerating the European manufacturers. They can't compete with a subsidized product.

That's why tariffs [are under discussion]. How does that affect us? Well, with Buick we get Envista and Encore from China. Will those tariffs apply to Chinese-manufactured vehicles sold by American franchisees? That's going to be a question.

The Germans are very concerned about tariffs. A 20% tariff, which is one of the numbers being kicked around — look at a 20% tariff on a \$250,000 car. We sell lots of those. It's 50 grand. And on an electric car, you have a tariff on top of the \$7,500 [federal EV tax credit] going away. It puts them in an untenable position where they would just have to quit selling those cars in this market.



**Mercedes-Benz USA**  
**CEO Dimitris Psillakis**

**PRESIDIO:** What direction do you want to take your dealership network?

**DP:** We call our dealers partners, and we [have created], over the years, a partnership where they trust in us and we trust in them on not only delivering products to the customers but also delivering the best experience. And that takes time to be developed. So this relationship is kept over the years through some tough criteria where we address our dealers and where we measure performance, and performance is not only quantity but it's very much quality performance. And at the same time, we want to give this back to our dealers, so despite the fact that our volume is growing in the country, we are determined to stay with the same number of points or same number of investors. And if there are opportunities, let them grow the network or acquire further dealerships. In this approach, obviously, our dealers are becoming even stronger within the Mercedes-Benz family. It's a sign of the trust we have in them.

That helps them dilute their operational costs over a bigger operation, a bigger area and higher volume. They can be more competitive, even more profitable. At the same time, we can take advantage of a smaller and easier to maintain and steer dealer network. So it's a win-win situation on both sides.



**To suggest a guest:**  
**Email Jason Stein**  
**[jstein@thepresidiogroup.com](mailto:jstein@thepresidiogroup.com)**

**To tune into Full Throttle:**



# A PRESIDIO PODCAST FULLTHROTTLE

The meeting point for automotive retail and technology

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

### OUR MOST RECENT EPISODES FEATURE:



**Rich Sands**  
STELLA  
Automotive AI



**Corina Diehl**  
Diehl  
Automotive



**Kevin Tynan**  
The Presidio  
Group

### OTHER NOTABLE GUESTS:



**Mike Maroone**  
Maroone  
USA



**Daryl Kenningham**  
Group 1  
Automotive



**Damian Mills**  
Mills  
Automotive Group



**David Hult**  
Asbury  
Automotive Group



**Mack McLarty**  
McLarty  
Associates



**Rita Case**  
Rick Case  
Automotive Group



**Steve Rowley**  
Cox  
Automotive



**Dimitris Psillakis**  
Mercedes-Benz  
USA



**Liza Borches**  
Carter Myers  
Automotive



**Rob Cochran**  
#1 Cochran  
Automotive



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# M&A UPDATE/PRESIDIO VALUATION INDEX

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

[Overall Market Update](#) | [Brand Watch](#) | [Presidio Valuation Index](#) | [Presidio's Valuation Matrix Spotlight](#)

## Overall Market Update

While dealership transactions slowed last year, 2024 is still likely to be the fourth busiest buy-sell year ever. Presidio estimates the final tally for the year will come in around 360 transactions involving 515 dealerships once all 2024 deals have been reported. That would put 2024 behind transaction totals for the previous three years — and well behind the blockbuster year of 2021 when several megadeals pushed the number of stores sold to 707.

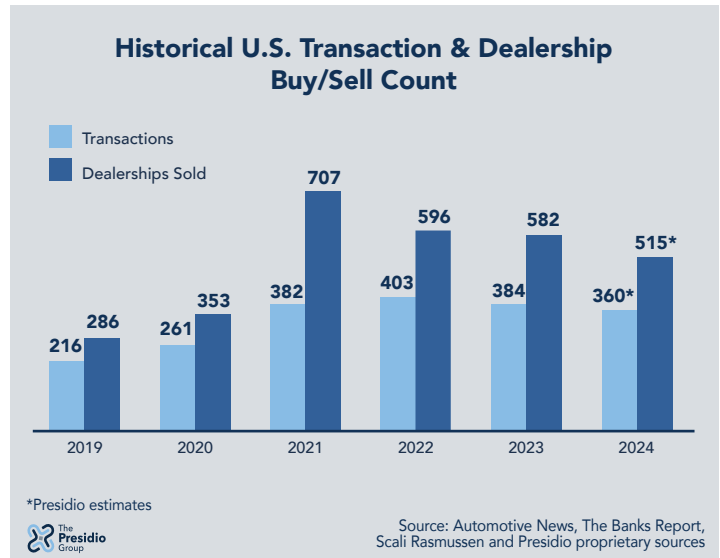
2024 deal closings notably slowed in late summer and fall as the presidential election approached. Pressure on already falling vehicle margins and uncertainty about the regulatory environment and dealership profitability delayed some transactions and put some buyers on the sidelines.

Since the election, the momentum has swung. The number of deals on the market has picked up, and our team has had steady conversations with dealers looking to both buy and sell. As of early 2025, Presidio's deal pipeline is more robust than ever before. Indications are that buy-sell activity in 2025 will likely be steadier than last year.

Demand remains choppy, however. Brand and geography matter more than ever. It is still a seller's market for those divesting dealerships representing desirable brands and in great locations. But it's become much harder to sell stores representing challenged brands, struggling with steeper profit slides or located in less desirable geographies. Being rational about pricing is increasingly important to getting deals to the finish line.

The Presidio team is seeing increased emphasis on portfolio management by savvy dealership groups, and we expect that to continue. Strategic evaluation and optimization of store networks likely will be a defining trend in the dealership buy-sell market in the years to come.

The best dealership groups, especially the larger ones, aren't staying put. They continually evaluate their portfolios from multiple angles — geographic fit, brand alignment



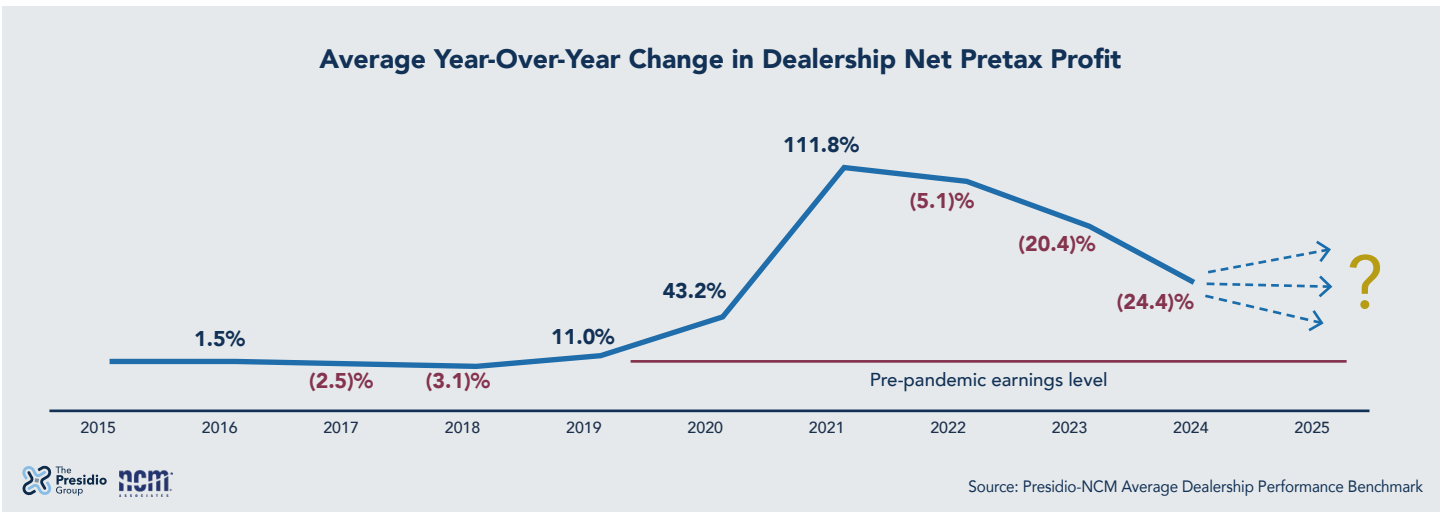
and financial performance — and identify stores that may no longer align with their long-term vision. In the current strong deal climate, many are seizing the opportunity to divest these non-core assets and free up resources to put into more promising investments.

“We’re seeing dealers take advantage of positive valuation trends to sell stores that don’t fit their strategy,” Presidio President George Karolis said. “It’s a way for them to maximize the value of their assets, free up resources for growth and position their organizations for long-term success in the years to come.”

Industry leaders and Presidio clients MileOne Autogroup and Anderson Automotive Group have demonstrated the power of this approach. By strategically divesting stores that are geographically isolated or don’t fit from a brand perspective, they’ve been able to redirect their attention and capital toward acquisitions that better complement overall business objectives. For example, MileOne in 2024 sold a Honda store in North Carolina but acquired a high-value Lexus store in Delaware, closer to the dealership group’s core operations.

Portfolio management activity is poised to become an even more critical focus for dealership groups in 2025. As consolidation continues to reshape auto retailing, the ability to quickly adapt one’s network of stores can be a key competitive advantage.

“Agile dealers who are constantly evaluating their brand mix, geographic footprint and financial performance will be best positioned to navigate the evolving auto retail landscape,” Karolis said. “The most successful will be those willing to make tough decisions about their portfolios to align with their long-term strategic vision.”



The typical U.S. franchised dealership recorded a 24.4% decline in net pretax profit for all of 2024, according to the Presidio-NCM Average Dealership Performance Benchmark. The profit falloff from pandemic-era highs started to stabilize in the second half of the year, and it’s likely that a new normal for profitability is just around the corner. Stabilization of profits, especially at a level above pre-pandemic norms, could boost deal activity in 2025.



**“Agile dealers who are constantly evaluating their brand mix, geographic footprint and financial performance will be best positioned to navigate the evolving auto retail landscape.”**

— George Karolis, president of The Presidio Group

**Brand Watch**

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

Porsche, Toyota and Lexus continue to lead the pack on brand strength and valuation. Subaru looks strong, with smartly balanced supplies and good customer loyalty. Mercedes-Benz, Land Rover and Mazda have trended positively in recent weeks, leading us to boost their blue-sky multiples. We continue to closely watch Nissan, challenged but showing improvement in the fourth quarter with sales up 11.4%. We dropped multiples this quarter for only one brand, Infiniti.

We changed guidelines broadly for one of our valuation pillars, blue sky as a percentage of revenue. With the 24.4% decline in average pretax profit for the average dealership in 2024 and the Great Normalization likely near its tail end, we made slight reductions on most brands in this revenue multiplier category to account for that decline and the leveling out of earnings from their peak in 2022.

#### PRESIDIO IS RAISING VALUATION GUIDELINES FOR:

##### ↑ **Mercedes-Benz** | + 25 to 50 basis points to a blue-sky multiple range of 7.75x – 9.0x

Dealer sentiment about the brand improved as it adopted more retail-friendly strategies and saw a 9% year-over-year gain in fourth-quarter U.S. sales. Mercedes is taking a more hands-on and local approach to dealer relations and has reduced sales focus on its electric vehicle lineup. A surge in inventory gave dealers more in-demand products, particularly SUVs. Dealer discounting averaged \$3,969 per vehicle, or 5% below MSRP across the lineup, the highest in the industry. Dealers view Mercedes' shift in support strategy favorably, which is increasing demand and valuations for its dealerships across the board.

##### ↑ **Land Rover** | + 25 basis points to 6.25x – 7.75x

Land Rover's U.S. performance could not be more different than that of its Jaguar sibling. The average Land Rover store delivered 139 vehicles in the fourth quarter, up 35% year over year and outpacing the 7% average for the luxury segment. The average Land Rover vehicle sold for \$100,751 in the fourth quarter, up 6.8% year over year. The average dealer discount was just \$848 in the quarter, less than 1% below sticker and the lowest percentage of any brand selling in the U.S. Meanwhile, Jaguar sales grew 2.3% for the period as it struggles with a product lull and navigates a brand image overhaul. Demand for JLR dealerships remains high — but dealers are more focused on the "LR" while generally indifferent to the "J."

##### ↑ **Mazda** | + 25 basis points to 3.5x – 4.5x

Mazda has emerged as a quiet leader among lower-volume Japanese brands, and its partnership with Toyota bolsters its outlook. We are believers in the brand. Fourth-quarter volume jumped 33% year over year, while the brand's average transaction price rose 2.6% to \$36,506. The sales gain was not discount driven; Mazda's average transaction price was \$1,086 below MSRP, a 2.9% discount. Among the competitive peer group, only Toyota's 2.7% was better. A well-managed 42-day supply to start January primes the brand to prosper after a record 2024 in which U.S. sales increased 16.8% to 424,382 vehicles. With a growing customer base, dealers are increasingly interested in adding Mazda to their long-term portfolios.

#### PRESIDIO IS LOWERING VALUATION GUIDELINES FOR:

##### ↓ **Infiniti** | -25 basis points to 2.0x – 3.0x

Infiniti's fourth-quarter volume in the U.S. dropped by 2.3% as the brand's average transaction price increased 5.5% to \$64,445. Infiniti's average dealer discount below MSRP grew 6.5% to \$3,030. With inventory still relatively high to start 2025, more discounting may be likely to move the unsold metal. Dealers have more options now to dual their Infiniti franchises with Nissan operations. But with parent Nissan's long-term future in question, we expect the M&A market for both brands to remain choppy until leaders solidify a turnaround plan dealers can buy into.

**The Presidio Valuation Index**

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

Average dealership profitability dropped about 20% in 2023 and by more than 24% in 2024. The rate of decline in 2024 leveled off as the year went on. Sustainability of earnings varies significantly by brand and often geography. We estimate that net profit as a percentage of sales ranges across brand segments as follows:

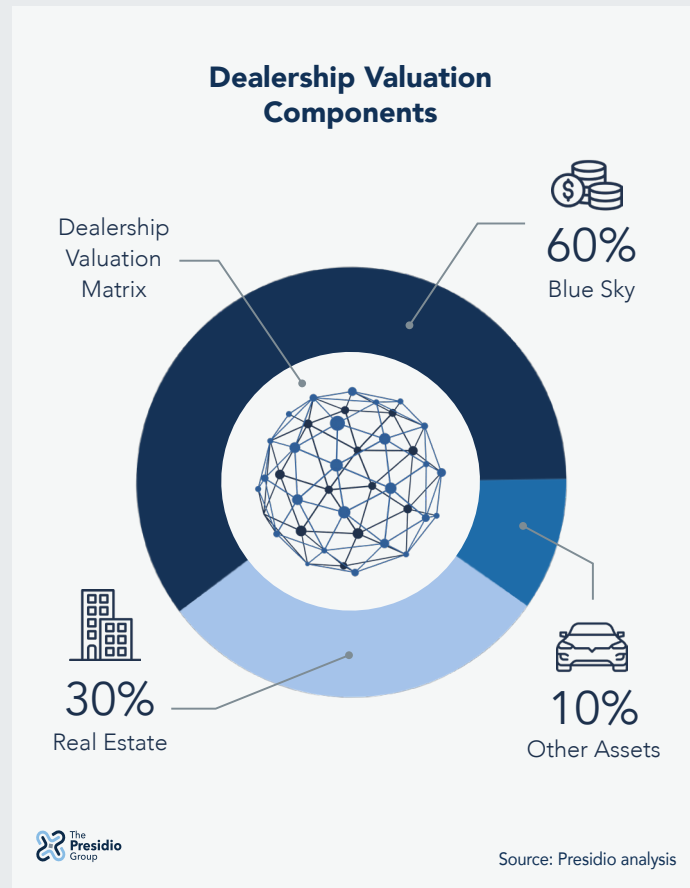
**Luxury brands: 4-7% | Top-tier import brands: 3-5% | Domestic/Other value brands: 1-3%**

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

**Dealership Valuation Overview and Methodology**

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

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



# The Presidio Valuation Index

The Presidio Valuation Index uses three pillars of valuation developed by our team to help estimate dealership value according to brand. Presidio evaluates and adjusts brand-level valuation guidelines twice a year, after the second and fourth quarters. In this report, we have adjusted blue-sky multiples for four entrants — Mercedes-Benz, Land Rover, Mazda and Infiniti — and we have reduced revenue multiplier percentages for most brands. As 2025 begins, the overall deal environment looks robust, and a seller's market persists for stores representing desirable brands.

Presidio Valuation Pillars →		Blue Sky as % of Revenue Range	Blue-Sky Multiple Range	Average Estimated ROI	Dealership Count on Jan. 1, 2024	2024 New-Vehicle Volume/Dealership*
	Porsche	52% - 67%	9.0 - 10.0	<10%	198	381
	Lexus	48% - 62%	9.0 - 10.0	↑	244	1,312
	BMW	43% - 52%	7.75 - 9.0		349	1,035
	Mercedes	41% - 50%	7.75 - 9.0		384	916
	Toyota	38% - 48%	7.5 - 9.0		1,237	1,558
	Land Rover	31% - 40%	6.25 - 7.75		202	323
	Subaru	29% - 33%	6.25 - 7.25		640	989
	Honda	25% - 38%	6.0 - 7.25		1,070	1,088
	Audi	29% - 38%	6.0 - 7.0		305	750
	Kia	14% - 24%	4.5 - 5.5		788	997
	Hyundai	14% - 24%	4.0 - 5.0		15%	841
	Chevrolet	13% - 19%	3.75 - 4.75	↓	2,898	586
	Ford	13% - 19%	3.75 - 4.75		2,902	648
	Volvo	12% - 17%	3.5 - 4.5		282	457
	Mazda	11% - 16%	3.5 - 4.5		542	669
	Cadillac	11% - 16%	3.25 - 4.25		567	260
	Buick-GMC	10% - 14%	3.25 - 4.25		1,671	337
	Volkswagen	10% - 14%	3.0 - 4.0		640	514
	Acura	10% - 14%	3.0 - 4.0		272	536
	CDJR	4% - 10%	2.5 - 3.5		2,406	666
	Nissan	4% - 10%	2.5 - 3.5		1,079	773
	Infiniti	4% - 10%	2.0 - 3.0	20%	201	319

\*Presidio estimate

1) Dealership count represents Chrysler outlets 2) Dealership count represents GMC outlets

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

# Presidio's Valuation Matrix Spotlight

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

## Organizational Talent

### Dealership workforce and culture can help — or hurt — valuations

While balance sheets and physical assets tend to dominate discussions around buy-sell transactions, a critical element is increasingly important to valuations: the strength and stability of the dealership's workforce. This often-underestimated factor significantly influences performance, customer loyalty and, ultimately, a dealership's appeal to potential buyers.

"A stable team fosters stronger customer relationships, boosts service volume and drives sales. This, in turn, contributes to a more profitable and sustainable business, making it a more desirable acquisition," said George Karolis, president of The Presidio Group. Strong employee retention translates directly into measurable business benefits and can boost the value of dealership being sold.

Case in point: The July 2024 sale of Bill Brown Ford of Livonia, Mich., the highest-volume Ford dealership in the world. The Presidio Group advised the Brown family in the store's sale to Penske Automotive Group, Inc. This real-world example, in which the store's large staff had average tenure well beyond industry norms, underscored the value of a loyal team with less turnover. Such stability signals a healthy organizational culture and mitigates the risk of post-acquisition disruptions for a buyer.

"Bill Brown had incredible employee tenure and loyalty, and that made the dealership really in demand when it came time for it to go on the market," Karolis noted.

On the flip side, high turnover and poor employee engagement metrics may contribute to a store's lagging reputation and could hurt its value or desirability.

Employment-related challenges can influence buy-sell activity in other ways. Many retailers, particularly larger groups, routinely assess their portfolios and may choose to sell underperforming stores. While these divestitures can be related to various factors, such as geography, brand and overall profitability, staffing challenges may also be a catalyst. Stores grappling with high turnover or operational issues related to employment may be more likely to become candidates for sale.

To maximize the perceived value of a dealership during a sale, sellers can take several proactive steps around talent and employment policies. They should move beyond simply stating they have good



retention and instead provide concrete data that illustrates employee tenure, turnover rates, compensation, benefits and any unique retention initiatives. Such detailed information allows potential buyers to objectively assess the strength and stability of the workforce.

Sellers can also showcase the direct impact that retention has on key business metrics. By quantifying how strong employee retention translates into improved customer loyalty and better overall profitability, sellers can demonstrate the strategic value of their talent management approach. A data-driven approach like this provides compelling evidence of the positive impact of a stable workforce and can support higher valuations.

“Strong retention, especially on the fixed operations side, is incredibly valuable,” said Karolis. “If you have that, you have the ability to service more vehicles and, ultimately, sell more vehicles as you’re likely going to have a larger, loyal, better customer base because your employees are taken care of and are happier.”

Industry experts echo the importance of workforce strategy, particularly as dealership operations settle into a new normal after the heights of pandemic-era profitability.

Fleming Ford, director of business talent solutions at NCM Associates, a firm that provides consulting and 20 group services to dealers, is noticing that some clients, even if seeking to trim costs overall, are refusing to cut spending on leadership development and training initiatives.

Though some dealers are investing more heavily in their leadership and human resource plans — and some automakers are pushing for more oversight and strategy around those issues — assessing the risks and potential rewards of the workforce climate is still not the norm during buy-sell transactions, Ford said. But it’s crucially important.

“A lot of this is, let’s mitigate the risk,” Ford said. “If they would assess the organizational talent, the quality, the loyalty, prior to the sale, and if the team is going to stick around and is well trained, the operational disruption is much more minimal.”

Buyers seeking long-term investments want to see strong retention metrics.

“We’ve seen dealers buy a store and three or four years later, they’re still struggling with the reputation of what it was before in terms of staffing it, in terms of customers returning,” Ford said. “So assessing the human capital [ahead of time] just makes sense.”

Kendall Rawls, director of development at The Rawls Group, a succession planning firm, emphasized the importance of organizational structure, workplace culture and succession planning.

“A well-structured organization where everyone understands their roles and responsibilities is more efficient and productive,” Rawls said. “This not only improves current performance but also makes the dealership more attractive to potential buyers.”

Sellers should highlight initiatives that demonstrate a commitment to employee well-being and professional development, such as competitive compensation and benefits and opportunities for training and advancement, she said. Such priorities not only attract and retain top talent but also demonstrate a proactive approach to human capital management, which is increasingly valued by dealers looking to expand.

Data points around turnover, retention and customer satisfaction can help clue in buyers on whether an acquisition target could be a good fit, Rawls said. She’s seen situations where transaction talks fizzle out because an operation’s metrics in those areas make it clear there would be “too much to do in terms of the workforce to build that up.”

“So it incredibly impacts the value of the business and someone’s interest in wanting to sell or wanting to buy,” Rawls said.

**Bottom line:** In the evolving landscape of dealership acquisitions, the human element is gaining increasing recognition. Dealerships that prioritize employee retention, invest in their workforce and proactively manage their talent are not only building stronger businesses today but also significantly enhancing their value in the eyes of potential buyers. By effectively communicating the value of their human capital, sellers can maximize the return on their investment in their workforce and achieve more favorable outcomes in buy-sell transactions.

# Presidio heads to NADA

The historic snow that kept many from attending the 2025 NADA Show couldn't stop The Presidio Group. Our crew arrived ready to go and kicked off the busy weekend by hosting a cocktail party for more than 100 dealers and industry VIPs. We took the stage at the annual Auto Team America Dealer/CEO/CFO Forum and Buy/Sell Summit and met with dealers, tech company entrepreneurs and investors throughout the show.



Presidio's Jason Stein talks to Cox Automotive Chief Economist Jonathan Smoke at the Presidio cocktail party about the industry outlook for 2025.



The sun sets over New Orleans on the eve of the NADA Show as The Presidio Group kicked off festivities by hosting more than 100 dealers and industry executives at a cocktail party at the top of the Four Seasons.



Presidio's Jason Stein interviews Mercedes-Benz USA CEO Dimitris Psillakis at the Auto Team America conference at the NADA Show.



Presidio President George Karolis interviews prominent dealer Damian Mills at the Auto Team America conference at the NADA Show.




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



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

# Presidio Transaction Highlights


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



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## AUTO TECH SERVICES TRANSACTIONS




served as the exclusive financial advisor to



SAFE Financing



served as the exclusive financial advisor to



\$30 Million Series C Financing



served as the exclusive financial advisor to



\$19.7 Million Series A Financing



served as the exclusive financial advisor to



\$4 Million Series A Financing



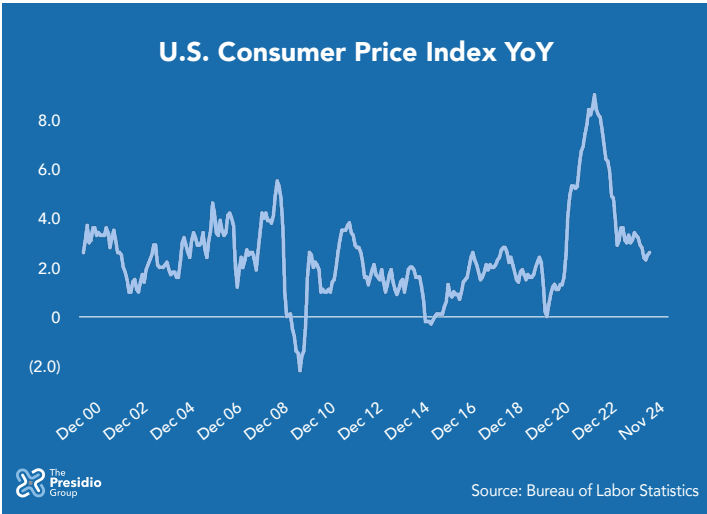
## Post-election confidence boost ebbs

The post-election boost in consumer confidence has started to wane on concerns about tariffs, stock market bumpiness and uncertainty about federal spending and cost cuts early in President Trump's second term. Trade concerns are tilting expectations towards higher inflation. The Consumer Price Index jumped more than expected in January, as the biggest monthly increase since mid-2023 pushed inflation to 3%. This news increases the likelihood that the Federal Reserve will extend its pause on rate cuts. And consumer sentiment tumbled by 5% to its lowest level since July 2024, according to the University of Michigan's preliminary February survey of consumers.

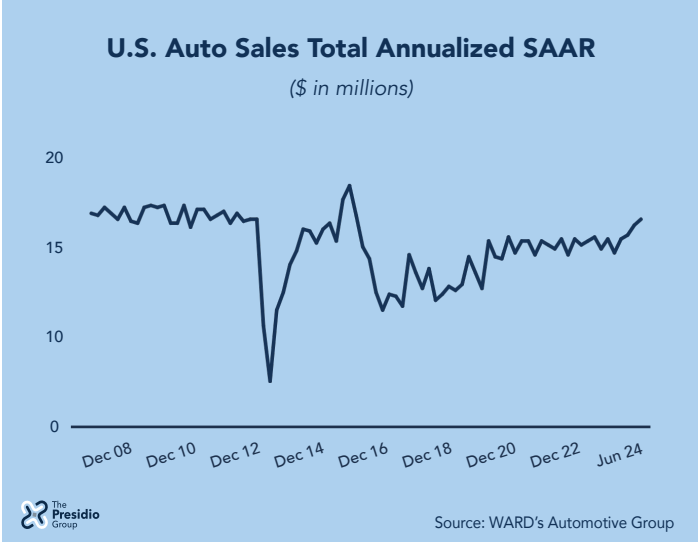
**Takeaway:** Consumers face significant macroeconomic pressure from high transaction prices and record loan balances as tariff talk and other regulatory uncertainties weigh on their confidence.

The U.S. auto industry finished 2024 with new light vehicle sales for the year totaling 16.0 million. The industry currently lacks an earnings catalyst akin to the profitable mix shift to truck from car seen over the previous several years. But increased production is likely necessary to cover fixed cost inflation in 2025, and the resulting surge in output and inventory should push total unit sales to around 16.2 million this year. That additional volume, however, is likely to damage price and margin dynamics for automakers.

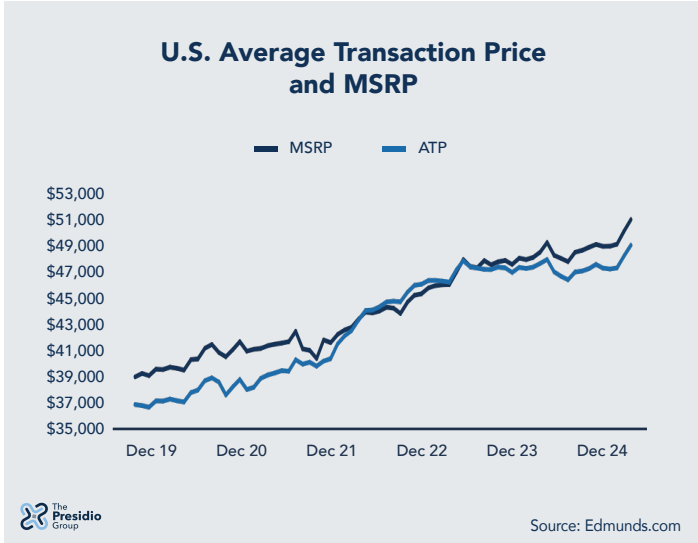
The seasonally adjusted sales rate crested 16 million units in each month of 2024's fourth quarter, the industry's best three-month stretch since 2021. The drive for volume is having an inverse impact on pricing as the spread between sticker and transaction prices topped \$2,000 for the first time since December 2020. Automakers continue to nudge retail prices higher by building and selling more large pickups and SUVs. A 3.7% increase in average MSRP outpaced a 2.3% gain in transaction prices, indicating that the consumer may be becoming exhausted by the mix shift inflation and lack of affordability.



The Federal Reserve cut the federal funds rate by 25 basis points in its final meeting of 2024 but declined to trim the rate again at its January meeting. Inflationary pressures may persist as trade and tariff risks intensify as the Trump administration settles into power. Fed policymakers are targeting an inflation rate closer to 2%. Economists' consensus expectations as compiled by Bloomberg are for no further cuts to the central bank's rate until later in the year. The unemployment rate ticked lower in January to 4.0% and remains persistently low enough to obscure signs of economic weakness that could motivate the Federal Reserve to make further cuts. Definitive and higher unemployment readings would be likely to motivate the Fed to pull future rate cuts forward from the back half of the year.



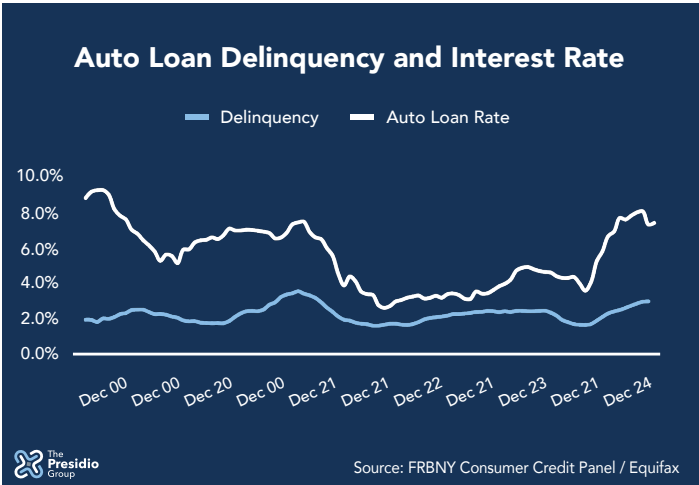
True to form, the highest transaction price of 2024 occurred in the final months of the year, helped by tax rules that allow a full year of depreciation for business-use vehicles put in service before the books close at year-end. The subsequent surge in unit sales pushed the market's share of light trucks to a record 83.9% in December. Pickups, SUVs and minivans accounted for 80% of the U.S. new vehicle market in October 2021 and did not reach 82% until November 2024.



Rising prices and interest costs will continue to pressure the consumer and likely drive up average monthly payments and, potentially, auto loan delinquency rates. The average amount financed on a new-vehicle purchase peaked at \$40,155 in the third quarter of 2022. And while that measure has declined by 2.1%, it remains at historically high levels around \$39,300. The extra interest expense on car loans is contributing to a rise in delinquency rates. That measure

rose on a sequential basis for the eleventh consecutive quarter, finishing the third quarter of 2024 at 2.9% for accounts more than 90 days overdue. That is the highest that measure has reached since the first quarter of 2010, as the U.S. economy emerged from the Great Recession. The average interest rate on a 60-month loan ticked higher in December, to 7.36%, the first increase since June. Until April 2023, the rate had not been above 7% since 2009.

To keep volume above 16 million units, automakers and retailers will face intensifying pressure to heap on factory incentives and retail discounts to pull new buyers off the sidelines. The tradeoff between volume and profit margins will be stark in 2025, as organic demand is unlikely to support the drive to surpass 16 million new-vehicle transactions as long as the average MSRP tops \$51,000. Automakers will be buying volume in 2025. As during the pre-pandemic sales environment, the cost may be high.



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**A PRESIDIO PODCAST**

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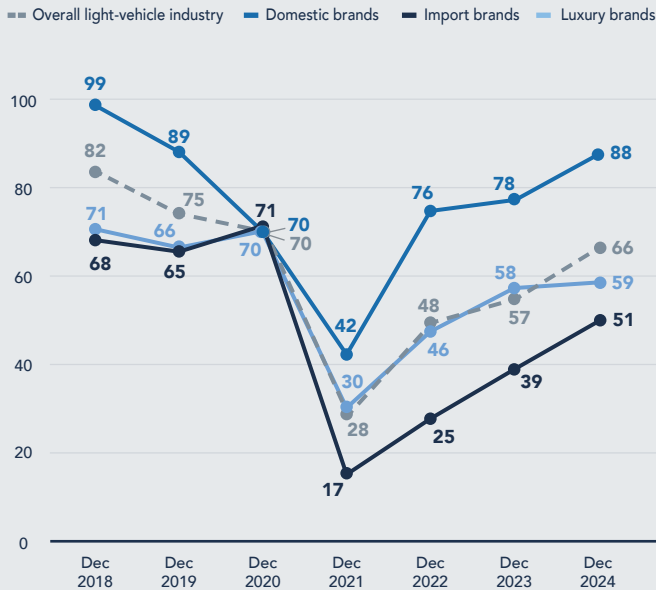
featuring:

**Rich Sands**  
CEO, STELLA Automotive AI

**The Presidio Group**

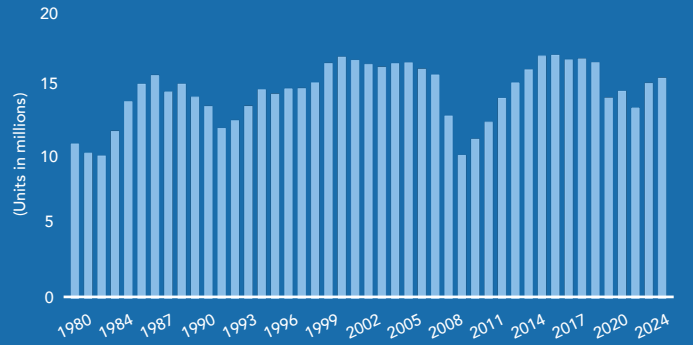
# Presidio Data Library

## New Vehicle Days' Supply by Brand Category



Source: Wards Intelligence, Presidio analysis

## Historical Annual New U.S. Light-Vehicle Sales



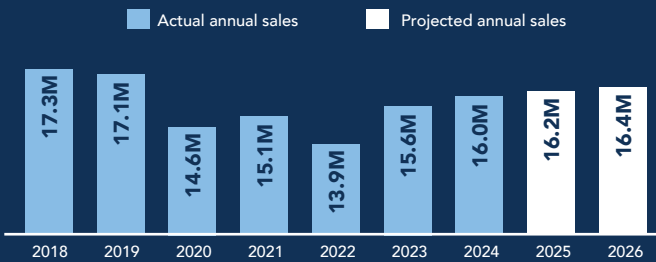
Source: Bureau of Economic Analysis

## Average Per-Vehicle Dealership Discount from MSRP



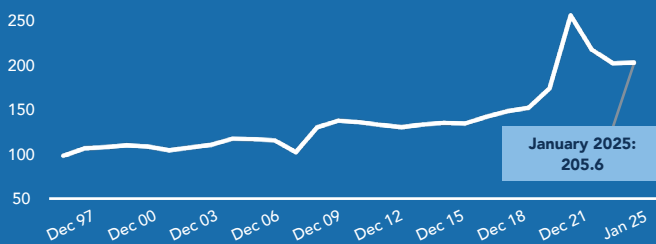
Source: Edmunds.com, Presidio analysis

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



Source: Automotive News, Presidio analysis

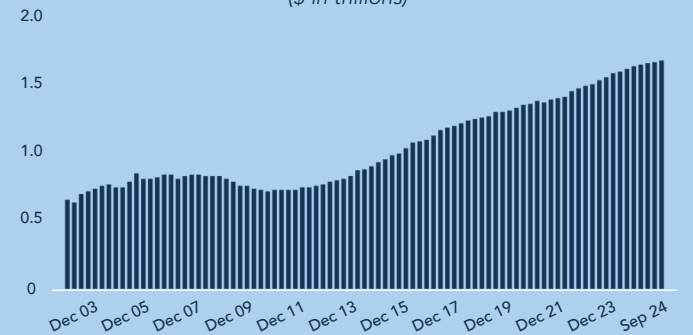
## Manheim Used Vehicle Value Index



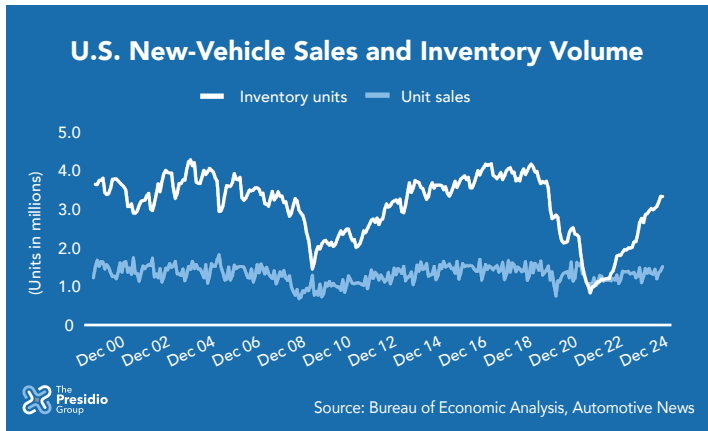
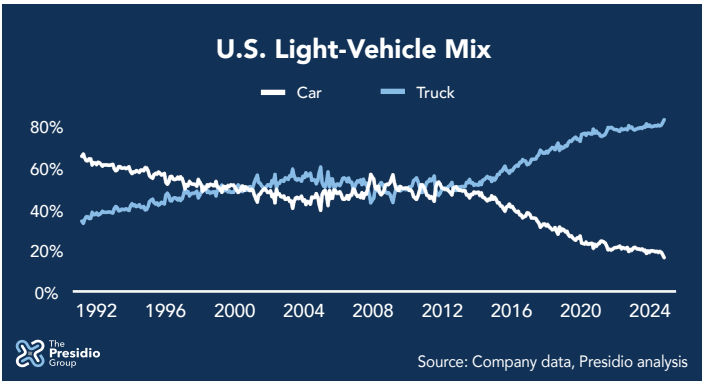
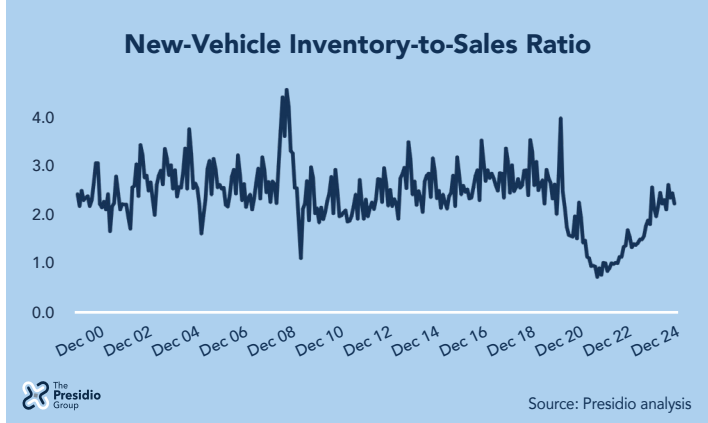
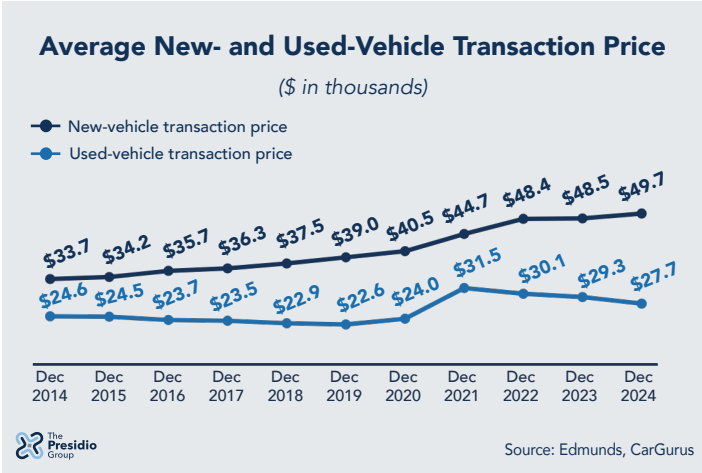
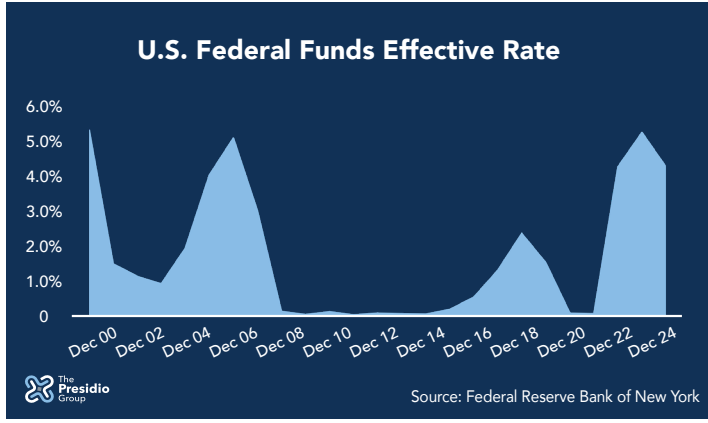
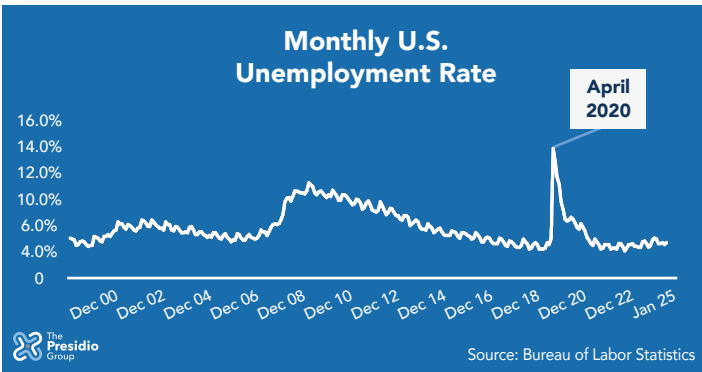
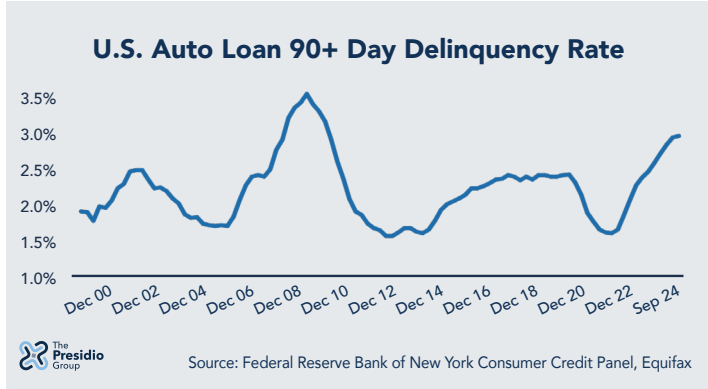
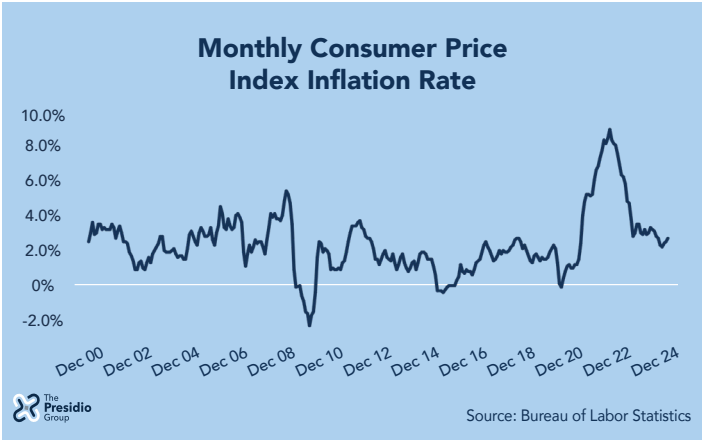
Source: Cox Automotive

## Total U.S. Auto Loan Balance

(\$ in trillions)



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





# PUBLIC DEALERSHIP GROUP TRENDS

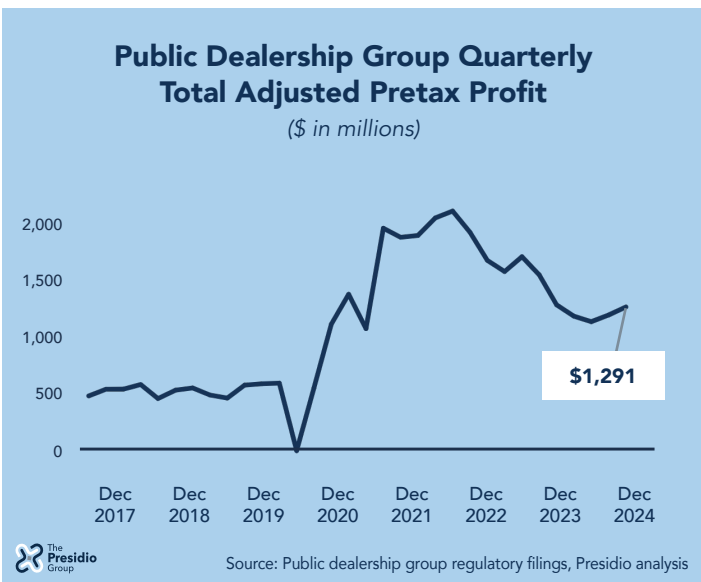
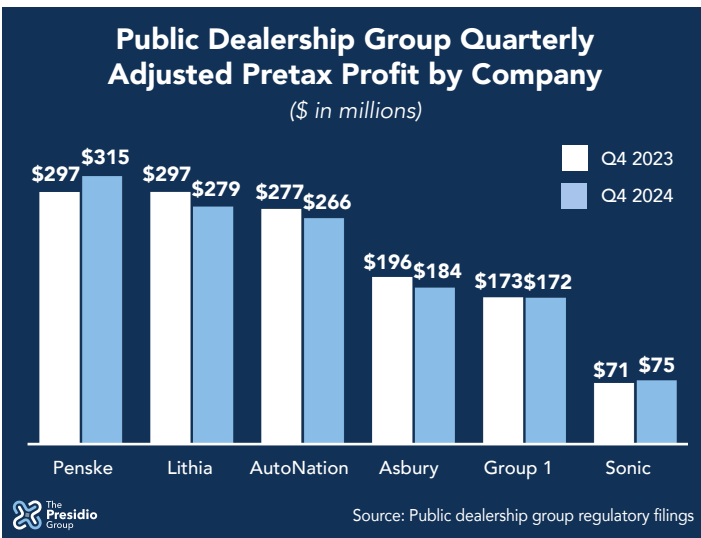
The six publicly traded dealership groups delivered strong results for 2024's fourth quarter through a combination of acquisition growth and a shift toward fixed operations during a period in which new-vehicle margins have been under pressure. With automakers pushing higher production, franchised dealers are implementing other ways to benefit from increasing customer interactions and transactions.

Total parts-and-service revenue for the public peer group in the fourth quarter increased 12.5% year over year, while total parts-and-service gross profit rose 11.1%. Parts-and-service gross margin fell by 67 basis points to 52.2%, as higher volume collectively increased the peer group's sales and gross profit pools for that unit by \$515 million and \$241

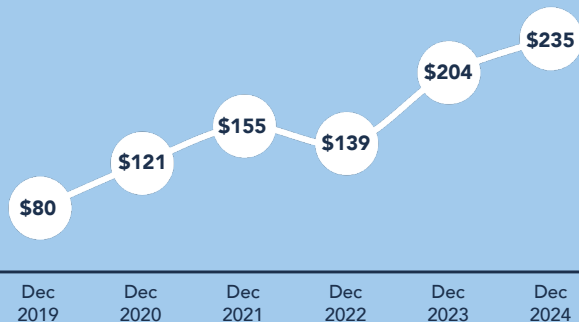
million, respectively, more than offsetting the narrower margin. Fixed operations consistently turns more than 50% of each revenue dollar into gross profit, making it the segment to pivot to when profits lag elsewhere.

New-vehicle volume increased 16% in the quarter, adding 144 basis points to new-vehicle revenue mix. New-vehicle revenue made up 48.2% of total revenue for the peer group, but that low-margin business line contributed only 17.9% of overall gross profit. Parts-and-service revenue mix was 12.3%, while that unit's share of gross profit grew by 100 basis points to 39.6%, making it the largest profit contributor by 20-plus percentage points.

New-vehicle gross margin fell by 153 basis points in the quarter to 5.9%. It was 6.1% for full-year 2024, the lowest level for new since 2019 and its first gross margin decline since 2018. That metric was below 5% from 2015 through 2020 as the OEM production-push model in place then swelled inventory, reduced dealer pricing power and constrained margins. In 2025, automakers find themselves straddling a precarious balance of volume vs. profitability. Those seeking more volume to cover inflating fixed and variable costs risk resuming low-margin strategies. While such an environment generates deals for consumers and floor traffic for dealers, history has proven it financially unsustainable for manufacturers.

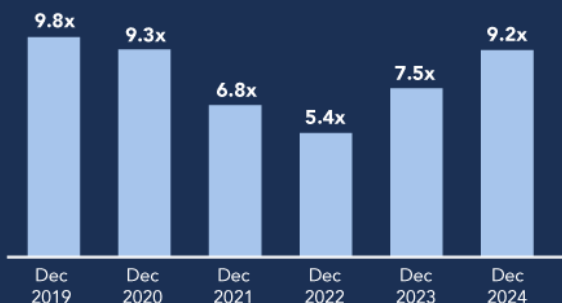


### Average Public Dealership Group Stock Price



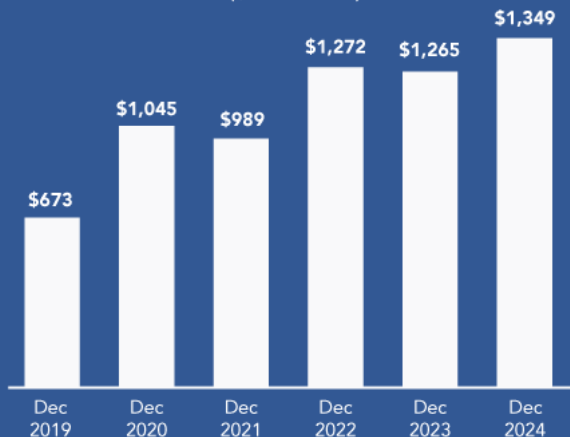
Source: Yahoo Finance, NYSE

### Average Public Dealership Group EV/Adjusted EBITDA Multiple



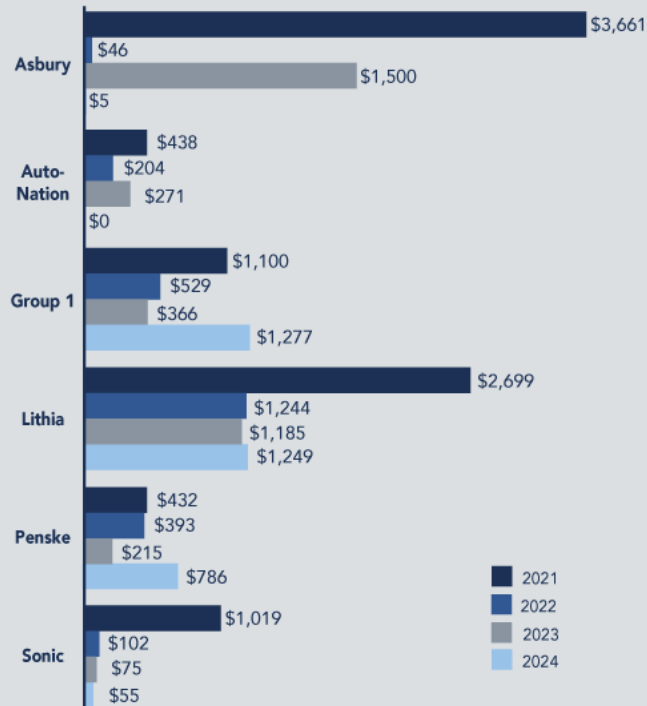
Source: Public dealership group regulatory filings, Presidio analysis

### Average Public Dealership Group Liquidity Level (\$ in millions)



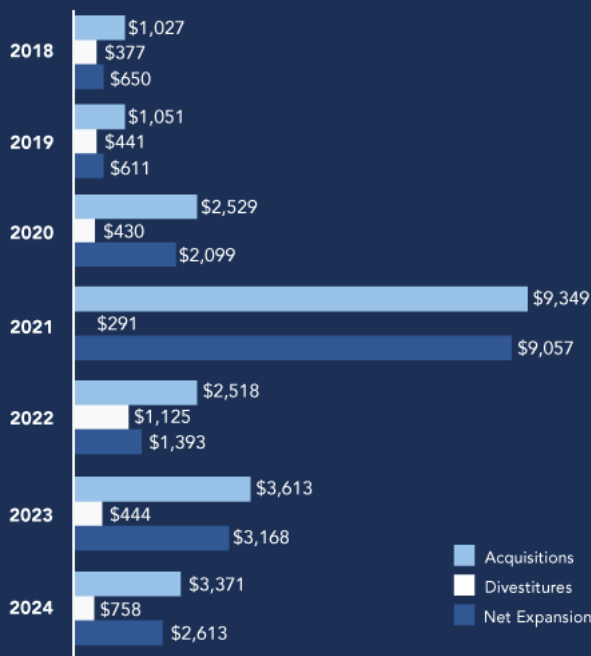
Source: Public dealership group regulatory filings, Presidio analysis

### 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)



## Here's how to win over auto tech investors

Technology entrepreneurs are taking aim at the \$1.2 trillion automotive industry in growing numbers to solve real pain points across a wide range of dealership processes. The quality of tech companies' leadership, cap tables and software tools has never been better, setting the stage for car dealers to drive operational improvement and enhance the customer experience in ways long envisioned.

But even with those advances, entrepreneurs must take care to listen to their advisors and keep winning over their investors. A key tenet for entrepreneurs in that pursuit: In the words of Taylor Swift, "never, ever, ever" overpromise and underdeliver on results or timetables, even when pressed to secure funding or capture market share.

Doing so is a critical mistake — the No. 1 stumble, really — that tech company leadership can make, especially during the startup phase, said Brodie Cobb, CEO of The Presidio Group.

"We love entrepreneurs and the auto tech space, and it's come a long way. But overpromising and underdelivering is the Achilles heel of startups," Cobb said. "Don't do it."

It can be the death knell for a fledgling tech company. The reality of developing complex technology is rarely linear. Unexpected challenges, regulatory hurdles and technical setbacks are inevitable, and startups that fail to account



***"Overpromising and underdelivering is the Achilles heel of startups. Don't do it."***

— Brodie Cobb, CEO of The Presidio Group

for these realities often find themselves struggling to meet unrealistic expectations. That erodes trust with investors, damages reputations with clients and ultimately jeopardizes the future of the company.

After all, the impetus for many a startup's failure is when its investors turn down calls for more capital, something they're more likely to do after seeing failure to deliver on promised results.

So what are investors looking for in the increasingly competitive field of auto tech and what separates startups that thrive from those that crash and burn? It's a complex equation, but some key themes are at the forefront.

To start, transparency is paramount. Be brutally honest when it comes to setting expectations. Investors want realistic projections, not pie-in-the-sky promises. Setting tangible milestones and implementing achievable steps on the path to progress are key.

If entrepreneurs do that and are then able to demonstrate incremental advancements and validate their progress with data while acknowledging challenges ahead, they will build credibility with their investors. Hiding problems or glossing over difficulties is a recipe for disaster. Investors appreciate candor and are more likely to support a team that's upfront about its challenges and has a plan for addressing them.



***"No one can do this alone. We don't know it all, and we need help sometimes."***

— Sandy Schwartz, former head of Cox Automotive

Communicating both the good and the bad is crucial, said Sohum Doshi, principal at Argentum Group LLC, which has invested in about 100 companies, including automotive warranty processing platform WarrCloud.

“Be clear about what’s happening, not only the positives, but also be very clear about what’s not going well,” Doshi said. “That allows the board and the team to swarm on that problem and resolve it very quickly.”

In addition to transparency, investors are looking for experience. They often seek to make bets on entrepreneurs who have previously had successful exits, giving them valuable insight on how to navigate the startup journey. Those entrepreneurs should have strong sales and fundraising abilities and a demonstrated ability to put together the right team for each stage of the company’s growth. Being able to secure quality investors also matters. Having a functional cap table in place and patrons who are well matched to the mission of the startup bolster a company’s chance of success.

Finding the right mentors and being vulnerable with them are also important, said Sandy Schwartz, a longtime industry executive and retired head of Cox Automotive. Schwartz helmed that tech giant during its rollup phase as it acquired both startup and established auto tech vendors.

“No one can do this alone,” Schwartz said. “We don’t know it all, and we need help sometimes, but you need to have the right type of help that you click with.”

Above all, compelling technology with a unique value proposition and a viable go-to-market strategy are essential.

Securing patents, building a strong brand and clearly communicating the unique value proposition are crucial for attracting attention. Investors need to see a well-defined plan for reaching the target audience and achieving



**“How differentiated is the offering?”**

— Pearl Percy, chief corporate development officer for JM Family Enterprises

profitability. Entrepreneurs should be able to demonstrate that they understand their market, have a strategy for customer acquisition and can efficiently scale distribution to meet growing demand.

“Ultimately, these are such early-stage companies, it’s as much about the idea and the team,” said Pearl Percy, chief corporate development officer for JM Family Enterprises, which has invested in several auto retail tech startups. “So it is how big is the market and then how differentiated is the offering.”

**Bottom line:** In the fast-paced race to innovate, it’s easy to get caught up in the hype and make promises that are hard to keep. But in the world of auto tech, where investor confidence is the lifeblood of startups, overpromising and underdelivering is often a fatal mistake. By embracing transparency, focusing on realistic milestones, building a strong team and demonstrating a clear path to market, entrepreneurs can navigate the complexities of this dynamic landscape and steer their ventures toward success.

**What We Do**

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



## DEALERSHIP TECH SPOTLIGHT

*Presidio highlights technology companies adding value to the auto retail ecosystem via products that improve the customer experience, drive revenue, increase efficiency and/or enhance profitability. This quarter we take a closer look at the market for online desking and sales software.*

# A2Z

A2Z Sync, an outgrowth of Schomp Automotive Group, was founded in 2014 as a customer-facing software solution for dealerships that connects the online and in-store vehicle buying experiences. Since its founding, A2Z, which is based in suburban Denver, has expanded significantly and is now the key automotive retail platform underpinning the Amazon Autos car-shopping marketplace.

Amazon Autos last December moved from a closed pilot to public launch mode with Hyundai dealerships in certain markets able to sign up to use the marketplace to sell new Hyundai vehicles. The platform facilitates Amazon customers to buy vehicles via the retail giant's trustworthy, secure and familiar interface.

"The customer can do almost everything online," said Matt Nuffort, director of Amazon Autos. "They can browse for vehicles, choose the vehicle they want, initiate a purchase, do a credit application and submit their application on Amazon."

A2Z and Amazon are pursuing seamless integration between the ecommerce platform and client dealerships' in-house systems as they aim to deliver a frictionless car-buying experience.

The number of dealerships using A2Z's technology is growing, and they now represent 26 different automakers. A2Z doesn't disclose its dealership count.

"The feedback has been pretty positive," A2Z Sync CEO Aaron Wallace said about the Amazon program. "There's definitely a lot of interest. We're right at the beginning, working through the hard parts and iterating on dealer feedback. A fully functioning omnichannel solution where dealers and consumers can fully transact is a massive undertaking. For instance, leasing and pre-owned vehicles are a focus of the program that we anticipate coming near term."

A2Z's technology has enabled the Amazon Autos program to expand rapidly to more than 50 U.S. markets, and more geographic inroads are coming, according to Nuffort. "At the moment, we reach 70% of the U.S. population," he said.

Beyond the Amazon program, A2Z's software has been used by many other dealerships to help them bridge their online and in-store sales processes.

While specific performance metrics have not been widely shared, A2Z's dealers have reported notable improvements in sales and operational efficiency after implementation of the platform. Key dealership groups have reported improved customer experience, higher new- and used-vehicle sales volumes, increased finance penetration rates and improved gross margins after adopting the software.

As the automotive landscape continues to evolve, A2Z Sync appears poised to play a role in reshaping the future of auto retail tech via its connection to Amazon Autos and its software's ability to link customers' online and in-store shopping experiences.

RECENT AUTO TECH TRANSACTIONS

# Investments, acquisitions target AI services, digital tools and wholesale



**October 2024: BizzyCar**, provider of AI-driven recall software, raised **\$15 million** to accelerate growth and scale its platform to dealerships in North America. The investment round was led by DealerTire.



**November 2024: Yelp**, an online review site, acquired RepairPal, a listing site connecting consumers with auto repair shops and dealerships, for **\$80 million** to accelerate its offerings and expand to automotive services.



**December 2024: STELLA Automotive AI** secured **\$11.5 million** in convertible loan financing to drive market growth, expand its team and support ongoing product enhancement. The financing round was led by Reynolds and Reynolds, with participation from existing investors and new investors Sheehy Auto Stores and Butler Automotive Group.



**December 2024: TruVideo**, provider of an artificial intelligence-driven video and messaging product, secured a **\$40 million** investment from TZP Growth Equity to fund market expansion and enhance customer experience.



**December 2024: EvenFlow AI**, a service department software provider, raised a **\$1.5 million** seed round to further develop its service lane capacity and revenue optimization tools. Investors include Automotive Ventures and FM Capital.



**January 2025: Vitu**, a vehicle-to-government technology provider, acquired Dealertrack's registration and titling business from Cox Automotive for an undisclosed amount to enhance its capabilities for dealers, lenders and governments.



**January 2025: Orbee**, provider of data management and middleware software, secured financing from dealers Sam Pack Auto Group and Butler Automotive Group, raising an undisclosed amount to expand sales and customer support efforts and accelerate product development.



**January 2025: Cars Commerce** acquired wholesale auction platform DealerClub, spending **\$25 million**, plus an additional performance-based possibility of up to \$88 million, to expand into the wholesale market.



**January 2025: UVeye**, an AI-powered vehicle inspection systems provider, raised **\$191 million** in an extended Series D round of funding to accelerate expansion and scaling manufacturing capacity. The round was led by Woven Capital, with participation from UMC Capital, MyBerg, W.R. Berkley, Menora Mivtachim and More Investment House.



**January 2025: America's Group**, an auction services provider, acquired tech platform AuctionVcommerce for an undisclosed amount, bolstering the company's auction tools and experience level.



## Amazon's automotive marketplace puts U.S. auto dealers in digital fast lane

With the December 2024 launch of its vehicle-shopping platform in 48 U.S. cities, and increase to 54 cities in January 2025, Amazon Autos has taken the first step in providing a true two-sided marketplace that matches automotive goods and services on one side with consumers on the other side. It's classic Amazon with an online platform that enables browsing, ordering, financing and scheduling the pickup and delivery of Hyundai vehicles in a clear and secure environment, and it has the potential to be truly disruptive.

As an early iteration of a marketplace that will evolve as used vehicles are added and additional brands and dealerships in more cities are onboarded, Amazon Autos has the potential to add significant efficiency, transparency and liquidity to the new- and used-vehicle purchasing processes via franchised dealers.

The creation of an online automotive marketplace by Amazon provides immediate scope and scale for franchised dealers to keep pace in an increasingly digital retail environment. Per discussions with dealers participating in Amazon's pilot, it appears that the e-commerce behemoth is using a flat-fee structure in order to encourage involvement while limiting the disruption to dealer economics on vehicles sales, trades, finance and insurance, etc. We presume Amazon will garner a large portion of its revenue contribution through its relationship with advertisers as more eyeballs and clicks are measured on the marketplace. As Amazon looks to add other brands, it will be imperative to demonstrate to the remaining U.S. dealers that the company's marketplace provides a better experience for both the customer and the dealer.

As dealers buy in, Amazon Autos has the potential to bring millions of new, and eventually used, vehicles from dealership inventory into its automotive marketplace, viewable by the nearly 250 million U.S. shoppers comfortable transacting on Amazon with minimal or no human interaction.

When Amazon's e-commerce reach is applied to the U.S. automotive retail industry's \$1.6 trillion in revenue and more

than 50 million vehicle transactions, auto retailers will be in view of a sizeable addressable market.

The U.S. Census Bureau estimates that e-commerce retail sales in the U.S. were \$300 billion in the third quarter, about 16% of the domestic total. U.S. e-commerce sales volume set a 12th consecutive quarterly record in 2024's third quarter. Amazon's forecasted revenue for 2024 is \$575 billion, with \$374 billion of that generated in North America and its third-party seller services and Amazon Web Services business units accounting for \$230 billion. It is clear that the sheer magnitude of the North American auto retail market will be meaningful to Amazon and its shareholders.



### Leveraging Amazon's e-commerce processes frees dealers to focus on profit drivers

It might be counterintuitive, but franchised dealers will be the primary beneficiary of Amazon's marketplace. A massive distribution channel will be open immediately, and the economics of dealerships will improve over time. Amazon will charge dealers a flat fee to be on the marketplace versus unit-based pricing. As more of their vehicles are sold via the marketplace, dealers have the potential to amortize that expense over higher volume and eliminate substantial costs, refocusing their financial and human resources on higher margin aspects of the auto business.

Digitizing the sales process and leveraging Amazon Autos'

marketplace dynamic will free dealers from working the hardest on the business unit that generates the lowest margin. In 2024, the competitive peer group of full-line, publicly traded auto dealership groups generated 48.9% of revenue but only 21.4% of gross profit from new-vehicle sales. A similar dynamic exists in the used-vehicle segment, which struggles to deliver double-digit percentage gross profit against the large financial and human commitment required to generate revenue.

The public peer group generated 33.6% of its revenue in used vehicles but at only 5% gross margin, and the segment accounted for only 10.7% of the gross profit. The efficiency of Amazon's marketplace applied to the used-vehicle market may be the lever that enables full-line dealers to improve their nationwide reach and achieve greater scale. The 100 largest franchised retailers by used volume accounted for less than 10% of transactions in 2024. The opportunity in used may be more a volume play than a margin opportunity, with Amazon aiding in both areas.

Conversely, dealerships' parts counters and service bays represented only 10.3% of total revenue but 36.2% of gross

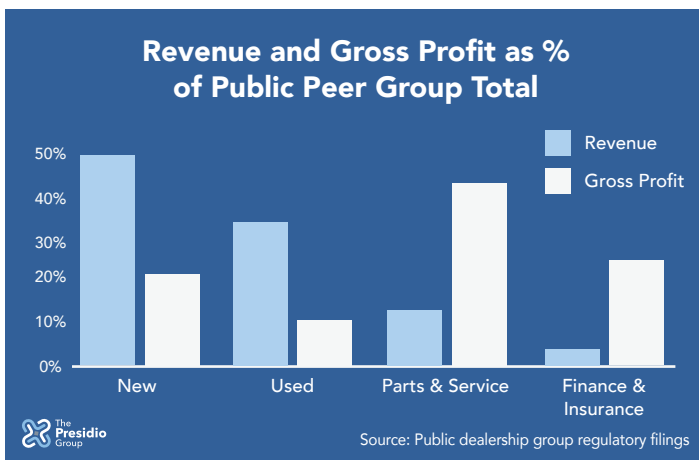
profit, while F&I operations are near 100% gross margin for some dealership groups.

### Amazon's partnership with manufacturers creates discoverability for dealer profitability

The large addressable market of Amazon will create a no-pressure browsing environment for shoppers who can then remain in the process through the purchase, financing and scheduling of pickup — at little expense or effort to the automobile dealer until delivery preparation begins once the sale is finalized. Digitizing away the inefficiently expensive pain points in the vehicle purchase process will enable dealers to reduce bloated costs and deploy capital to their most profitable business units as vehicle sales throughput transitions from today's traditional model to an online marketplace. As the process evolves, Amazon Autos has the capability and experience to smooth out the rough patches in the vehicle buying process for consumers, improving the perception of the value-add that dealers provide and the loyalty of customers as they engage in aftersales support and subsequent purchases.

A digital marketplace with enough reach to achieve a critical mass of manufacturers, retailers and buyers will be complex and phased. Amazon and Hyundai first partnered in 2018 with a virtual showroom and launched a marketplace for Hyundai employees in 2023 before the public rollout.

While the potential opportunities and risks are still developing, Amazon's placement of its digital retail left behind the U.S. vehicle market should not be underestimated. Early adopting new-vehicle dealers can be the first to leverage Amazon's scope and scale as the dominant e-commerce platform in the U.S., while those that minimize the evolution of North American auto retailing into a digital online marketplace risk being left behind.



Check out a recent episode of  
A PRESIDIO PODCAST  
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The meeting point for automotive retail and technology  
featuring:

**Corina Diehl**  
CEO, Diehl Automotive Group

The Presidio Group

# PRESIDIO PERSPECTIVES: LEADING VOICES



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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.



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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 teach-ins for Presidio's network.



Published by **Kevin Tynan**

## Quarterly Report

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



Led by **Amy Wilson**

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