

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

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

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

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

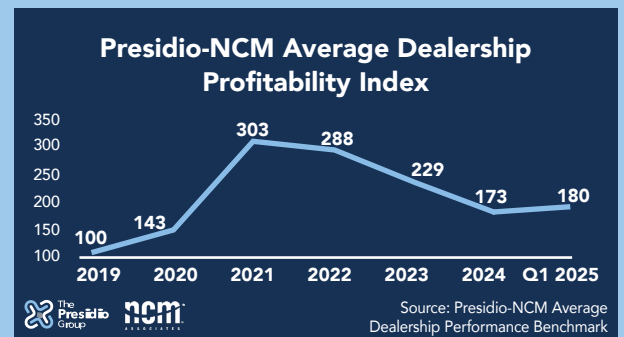
Tariff threats already played a role in the first-quarter results with vehicle sales surging in March as consumers went shopping to get ahead of expected higher vehicle prices. In addition to higher prices, some market watchers project tariffs could ultimately lower new-vehicle sales volume for 2025.

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

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

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

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



### Current Snapshot

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

**Revenue:**  
**\$20.9M**  
 ↑ 6.8%

**Profit change YOY:**  
 ↑ 3.7%

**New vehicles retailed:**  
**218**  
 ↑ 9.8%

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

**Used vehicles retailed:**  
**183**  
 ↑ 0.9%

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

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

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

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

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

The Presidio-NCM Average Dealership Performance Benchmark is based on the aggregated financial results of about 4,200 U.S. franchised dealerships of all brands and sizes that work with NCM Associates. The number of outlets contributing to first-quarter 2025 data represents nearly a quarter of the 18,000-plus franchised dealerships in the U.S., offering a robust and representative snapshot of industry performance.

As dealers seek to maintain the positive trajectory of the first quarter, it’s important that they concentrate on strategies to continue building momentum.

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

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

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

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

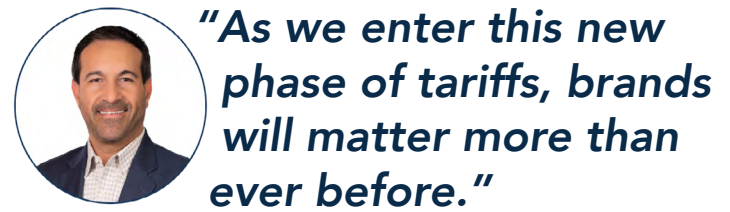
The import segment turned decisively positive in this year’s first quarter, with the average import store posting a pretax profit gain of 6.1% compared with the year-earlier quarter. While NCM doesn’t report data for individual brands, it’s clear from other sources and Presidio’s own contacts in the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

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

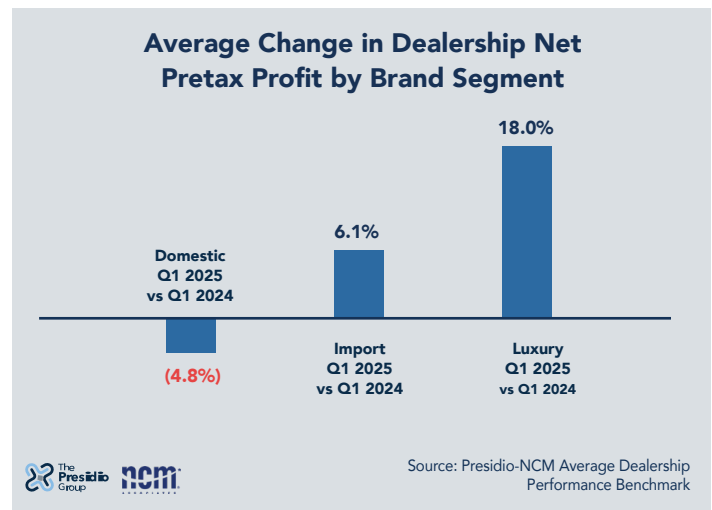
Overall new-vehicle gross profit per unit continued to normalize in the first quarter, sliding 20.6% on a year-over-year basis to \$2,005 per vehicle — its lowest level since 2020. New-vehicle margins showed variations among the segments, however. The average domestic-brand store saw gross profit drop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

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

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



— George Karolis, president of The Presidio Group



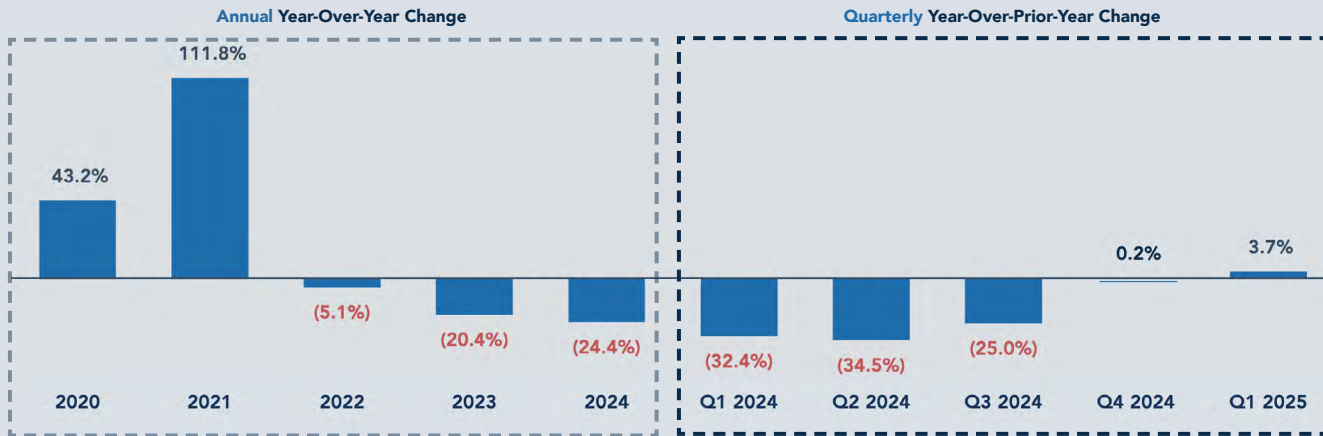
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### Average Dealership Per-Vehicle Profitability Metrics



Source: Presidio-NCM Average Dealership Performance Benchmark

### Average Change in Dealership Net Pretax Profit



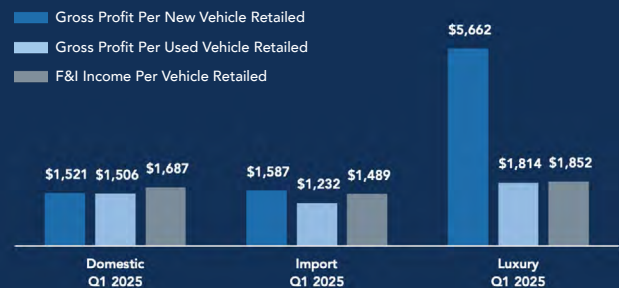
Source: Presidio-NCM Average Dealership Performance Benchmark

### Average Dealership Revenues (\$ in millions)



Source: Presidio-NCM Average Dealership Performance Benchmark

### Per-Vehicle Gross Profit by Brand Segment



Source: Presidio-NCM Average Dealership Performance Benchmark

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

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

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

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

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

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



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

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

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