New-vehicle margins thin as EVs drive volume

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

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

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

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

AutoNation's same-store gross profit per new vehicle dropped 18.8%. The public retailers with more luxury-brand dealerships also experienced declines. Penske Automotive Group, for instance, saw an 8.2% decline in same-store gross profit per new vehicle. Even with such margin compression, the typical new-vehicle profit remains well above 2019's pre-pandemic levels.

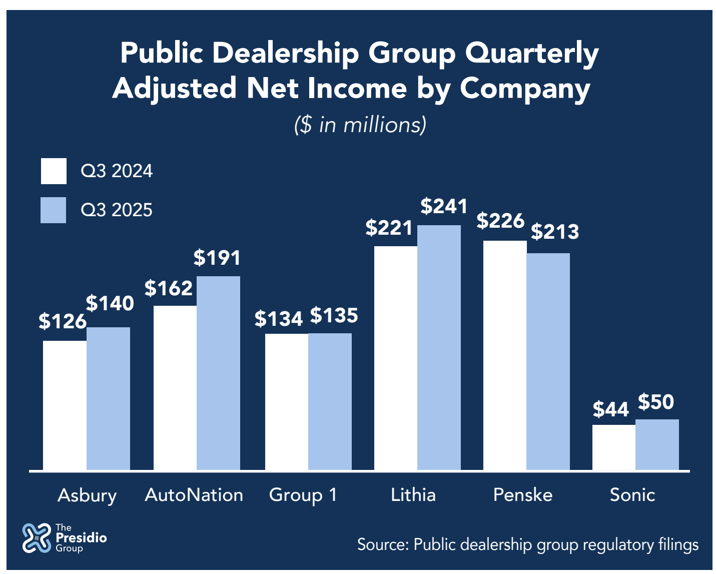
Public dealership groups' strength in F&I and parts and service continued to pay dividends, helping insulate them from the volatility of the new-vehicle business.

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

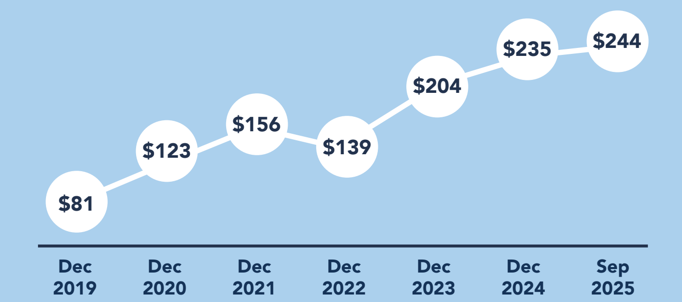
As 2025 draws to a close, public dealership group leaders are focused on disciplined inventory management. Sales volumes are expected to soften now that the tax credit has expired and EV pull-ahead demand fades.

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

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

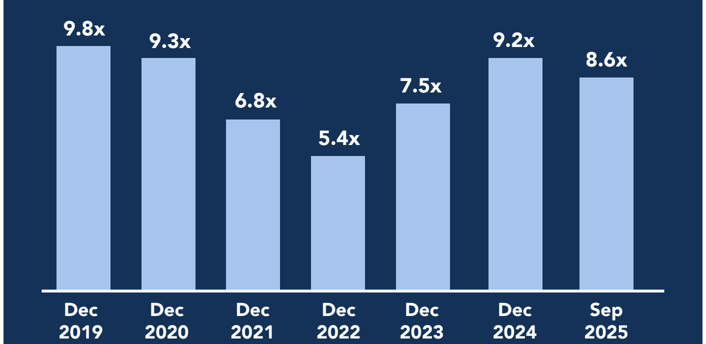


Average Public Dealership Group Stock Price



Source: Yahoo Finance, NYSE

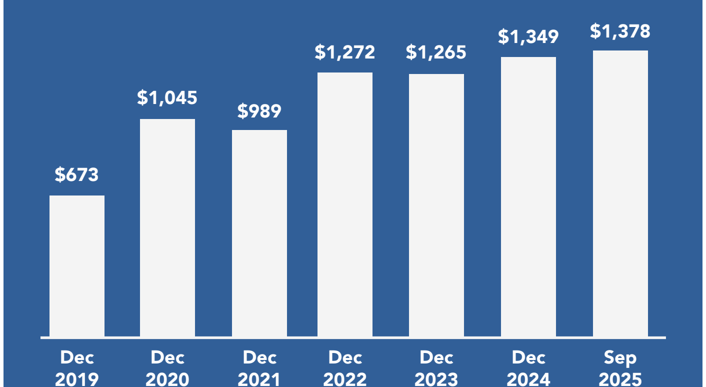
Average Public Dealership Group EV/Adjusted EBITDA Multiple



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

Public Dealership Group Average Available Liquidity

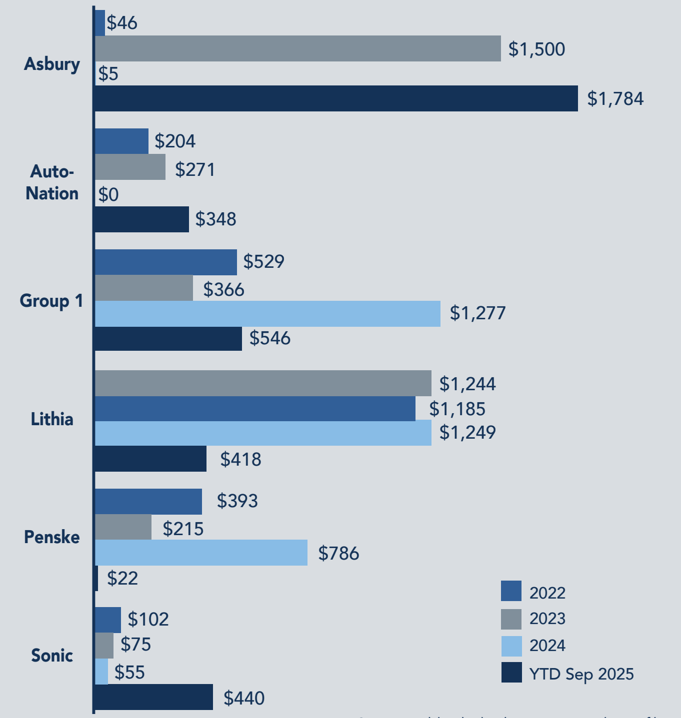
($ in millions)



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

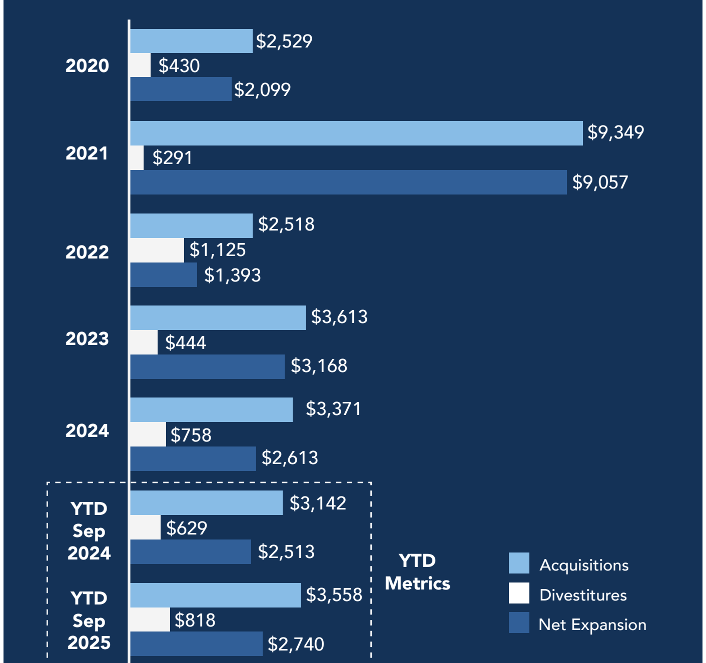
Source: Public dealership group regulatory filings

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



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

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



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