

Dealership profitability retreats in Q1 2026 against tough year-ago new-vehicle sales comp

The latest Presidio-NCM Average Dealership Performance Benchmark shows U.S. franchised dealerships with first-quarter 2026 profit declines as the industry laps 2025's unusually strong start when consumers rushed to buy vehicles ahead of expected U.S. tariff hikes. Vehicle margins fell across all brand segments, reflecting payback from that surge. Higher margin business lines — F&I and fixed operations — again helped soften the earnings impact.

- **Net pretax profit** for the average franchised dealership fell **11.2%** year over year in the first quarter of 2026
- **Per-vehicle gross profit** declined 11.2% to **\$1,781** for new units and 11.2% to **\$1,253** for used units
- **Finance-and-insurance income** per vehicle retailed increased 7.1% to **\$1,727**
- **Fixed-ops gross profit** growth slowed to **1.4%**, but the business generated **53.8%** of total dealership gross profit, its highest ever in the Presidio NCM data set

Average dealership profitability declined in the first quarter of 2026 as vehicle demand cooled from last year's pull-ahead surge and margin pressure continued across the retail auto landscape, according to the latest Presidio-NCM Average Dealership Performance Benchmark.

That shift showed up clearly in the data. Net pretax profit for the average U.S. franchised dealership declined 11.2% year over year in the first quarter as the industry faced a tough comparison to the unusually strong start to 2025, when sales and earnings were lifted by demand pulled forward ahead of expected U.S. tariff hikes.

"This quarter's results show the industry absorbing the payback from last year's demand surge, with the impact most evident in lower new-vehicle sales, new margin compression and softer overall profitability," said George Karolis, president of The Presidio Group. "What the data also shows, however, is an industry that still has multiple, durable earnings engines. Dealerships operating with discipline — especially around fixed operations and F&I

Current Snapshot

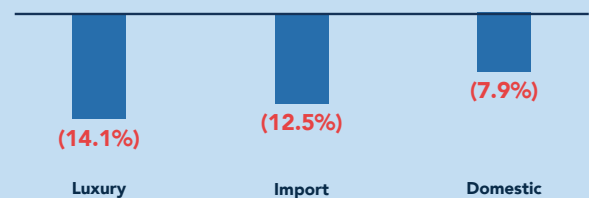
Here's a quick look at the average dealership performance for Q1 2026 compared with Q1 2025:

Revenue: \$20.6M ↓ 1.5%	Profit change YOY: ↓ 11.2%
New vehicles retailed: 199 ↓ 8.9%	Gross profit per new vehicle retailed: \$1,781 ↓ 11.2%
Used vehicles retailed: 186 ↑ 1.7%	Gross profit per used vehicle retailed: \$1,253 ↓ 11.2%
F&I income per retail unit: \$1,727 ↑ 7.1%	Fixed-ops gross profit change YOY: ↑ 1.4%



Source: Presidio-NCM Average Dealership Performance Benchmark

Average Change in Dealership Net Pretax Profit by Brand Segment Q1 2026 vs Q1 2025



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

— continue to demonstrate how strong and adaptable the retail automotive model can be.”

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

“As vehicle margins compress, execution inside the dealership becomes more important,” said Paul Faletti, CEO of NCM Associates. “Aligning costs with today’s margin environment and maintaining discipline across operations are critical to sustaining profitability when conditions become more challenging.”

The first-quarter payback was most visible in vehicle margins, continuing a reset in new-vehicle profitability from its heights during the coronavirus pandemic. Gross profit per new vehicle retailed averaged \$1,781 in the first quarter, down from \$2,005 in the year-earlier quarter. Another tough comparison is anticipated for second-quarter 2026, as last year’s tariff-related surge continued into April 2025, pushing last year’s second-quarter new-vehicle profit to \$2,128 per unit.

On the used side, per-vehicle gross profit averaged \$1,253, down from \$1,410 a year earlier. While new-vehicle margin compression has been a familiar theme as supply rebuilds, the used margin story is more structurally challenging. Elevated wholesale prices have continued to limit dealers’ ability to translate steady demand into stronger per-unit profitability.

“In new vehicles, additional supply naturally puts

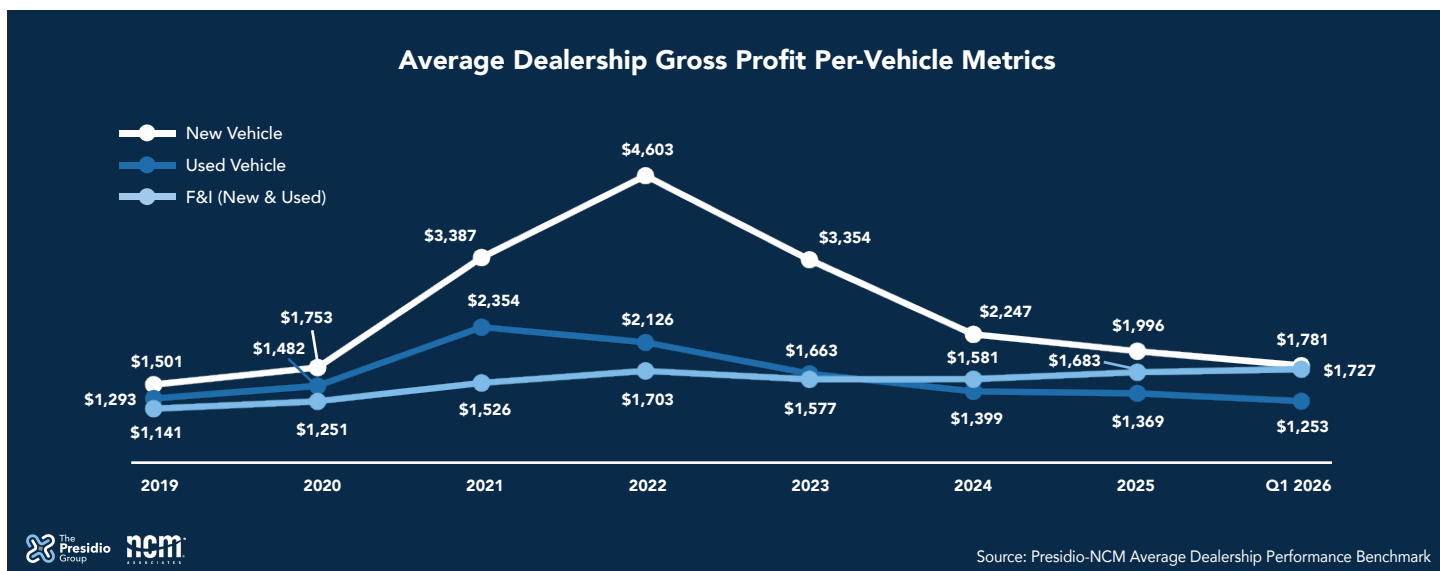


“Dealerships operating with discipline — especially around fixed operations and F&I — continue to demonstrate how strong and adaptable the retail automotive model can be.”

— George Karolis,
president of The Presidio Group

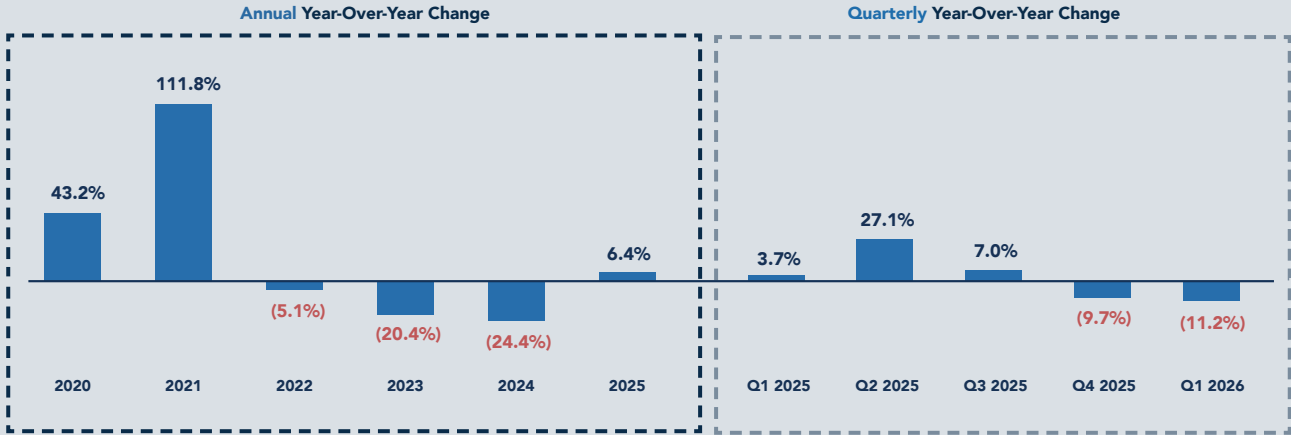
pressure on margins,” said Kevin Tynan, Presidio’s director of research. “In used vehicles, scarcity can work against dealers because their costs aren’t fixed. Competing aggressively for inventory at wholesale while selling into a payment-constrained retail market creates an imbalance that continues to weigh on used-vehicle margins.”

Finance and insurance again played a stabilizing role. F&I income per retail unit rose to \$1,727 in the first quarter, up from \$1,613 in the year-earlier period. The improvement highlights how the earnings mix has continued to shift toward higher-margin departments as vehicle margins shrink.



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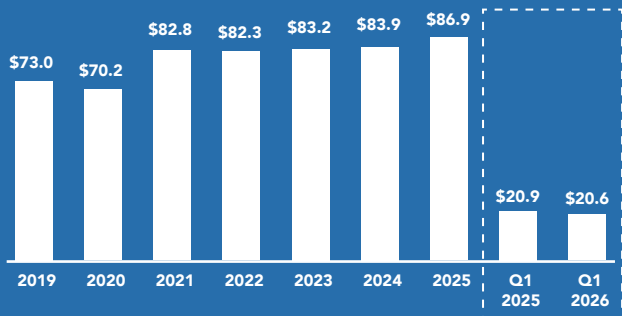
Average Change in Dealership Net Pretax Profit



Source: Presidio-NCM Average Dealership Performance Benchmark

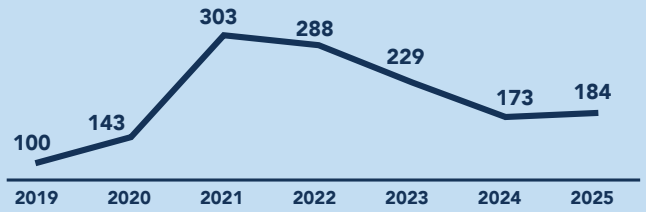
Average Dealership Revenues

(\$ in millions)



Source: Presidio-NCM Average Dealership Performance Benchmark

Presidio-NCM Average Dealership Profitability Index



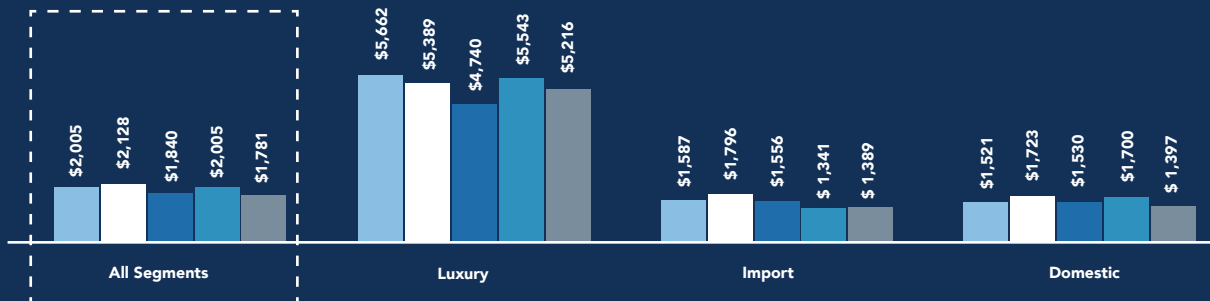
* The Presidio-NCM Average Dealership Profitability Index is updated annually at year-end



Source: Presidio-NCM Average Dealership Performance Benchmark

Average New-Vehicle Gross Profit by Brand Segment

Legend: Q1 2025 (light blue), Q2 2025 (white), Q3 2025 (dark blue), Q4 2025 (teal), Q1 2026 (grey)



Source: Presidio-NCM Average Dealership Performance Benchmark

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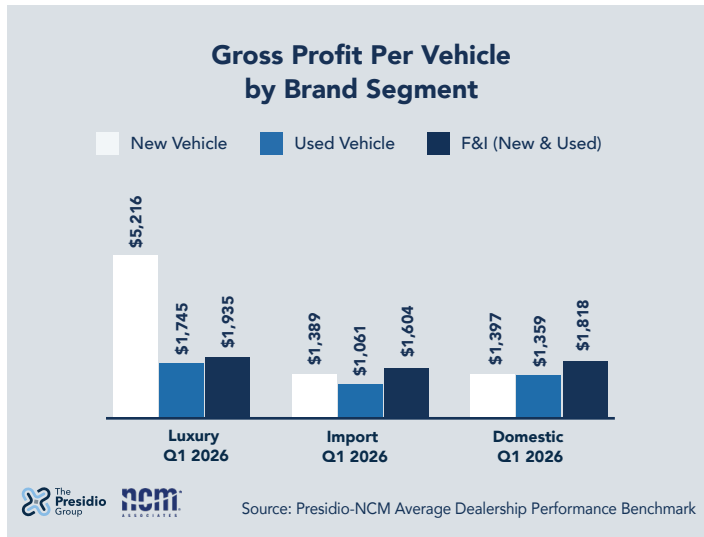
Fixed ops remains the dealership’s largest single contributor to gross profit, even as first-quarter 2026 growth of 1.4% slowed significantly from the year-earlier pace of 5.6%. Despite the growth slowdown, fixed-ops generated 53.8% of total dealership gross profit in the first quarter, the highest share observed in the Presidio-NCM historical data set.

That underscores how central parts and service have become to the dealership earnings model as vehicle margins normalize. At the same time, slowing fixed-ops growth reduces margin for error. When fixed-ops supplies more than half of gross profit, even modest slowdowns can limit a dealership’s ability to offset volatility in new and used vehicles.

It also emphasizes the rising importance of execution in departments that can provide stability when vehicle margins narrow. Dealerships are now operating in a more demanding margin environment, and the stores best positioned to protect profitability are those that manage the full operation with discipline, particularly in fixed operations and F&I, while adapting quickly to changes in demand and pricing.

Performance by brand segment followed similar patterns. Net pretax profit declined across luxury, import and domestic dealerships in the first quarter, with the steepest pressure on luxury stores with a 14% decline. Profit fell about 12% for import dealerships and approximately 8% for domestic stores.

Those differences largely reflect the degree to which each segment benefited from last year’s tariff-related pull-ahead demand. Luxury and import brands, which



are more affected by tariffs, saw stronger gains during the unusually robust first quarter of 2025, creating a tougher comp and sharper payback in both volume and margin. Domestic-brand dealerships, which benefited less from the year-ago surge, posted comparatively smaller declines.

Expense discipline remains a key variable as margins tighten. We are keeping a close eye on the largest dealership expenses — personnel and advertising. When per-vehicle gross profit contracts, stores that do not align headcount and variable expenses with the current margin environment can see profitability fall faster than the market.

In the first quarter, personnel cost rose by 2.3% on average and to 40.0% as a percentage of gross profit, up from 38.1% in last year’s comparable quarter. Advertising spend, meanwhile, rose by 7% as dealers focused on pushing additional sales.

Floorplan interest expense moved lower, providing some relief as interest rates fell. Average floorplan expense per dealership fell to about \$16,800, down from roughly \$34,400 a year earlier.

Technology is a promising area to watch when it comes to long-term expense. Many third-party service providers are developing new tools powered by artificial intelligence that aim to improve the customer experience and drive productivity in dealership operations. The industry remains in the early innings of AI adoption, and first-quarter results likely do not reflect the impact of AI deployment. Still, AI adoption is poised to potentially drive significant improvements in dealership productivity and profitability over the long term.



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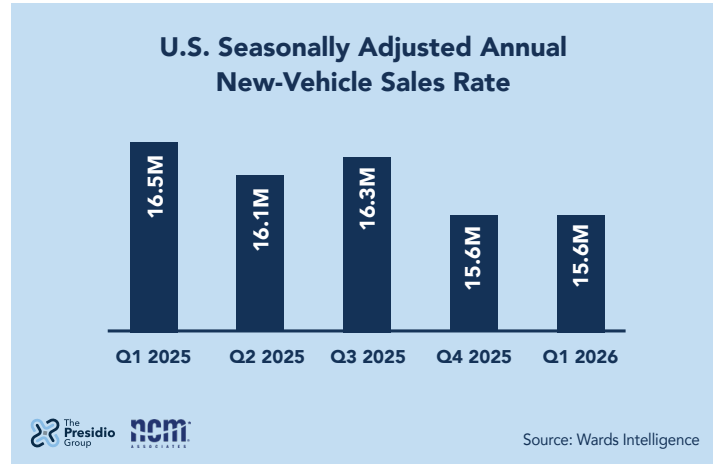
Uneven 2025 gives way to more organic 2026 market

Interpreting first-quarter results requires context around the unevenness of last year's U.S. auto market. Comparisons in 2026 are against an unusually volatile 2025, when sales were distorted by policy-driven catalysts that pulled demand forward and inflated results in specific periods.

Much of 2025's volume strength reflected that pull-ahead driven first by tariff uncertainty and later by regulatory shifts around electric vehicles, including the Sept. 30 expiration of federal EV tax credits. Sales rose to levels difficult to sustain for some periods, pushing the seasonally adjusted annual rate well above typical trends for much of the first three quarters of last year.

But as temporary forces faded, the pace of sales slowed. The most recent five quarters show a clear moderation in the U.S. industry's seasonally adjusted annual sales rate from its unusual strength earlier in 2025. Given the SAAR trends, year-over-year comparisons in early 2026 were always going to be challenging, and those tough comps will likely persist into 2026's second and third quarters.

"What we're seeing now is a market that's operating on more organic supply-and-demand dynamics than we've had at any point since before the pandemic," said Kevin



Tynan, The Presidio Group's director of research. "While it makes comparisons against last year uneven, it also means industry performance that more clearly reflects the underlying fundamentals rather than one-time catalysts."

For 2026, it means a market driven less by policy swings and more by traditional consumer behavior. A more organic supply-and-demand environment should offer a clearer and more reliable signal of true market demand.



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