

Average UK Car Retailer Profitability – December 2020

Despite lockdown UK retailers within touching distance of breakeven in December

14 key ratios	Rolling 12 months Dec 2020	Movement on prior month	Rolling 12 months Dec 2019	Benchmark
Net profit as % sales	0.94%	↓	0.81%	3.0%
Overhead absorption	53.0%	↑	51.0%	80%
Used: new sales	1.57:1	↑	1.54:1	1.5:1
Vehicle sales expenses as % gross	66.1%	↑	67.5%	50%
Sales per sales executive	143	↑	157	150
Used vehicle stockturn (days)	63.4	↑	58.7	45
Return on used car investment	80.9%	↓	78.0%	100%
Overall labour efficiency	86.2%	↑	84.2%	100%
Service gross profit % on labour	74.6%	↑	74.6%	75%
Service expenses as % gross	60.9%	↓	63.6%	40%
Hours per retail job card	1.56	↓	1.54	2.5
Parts gross profit %	20.3%	↑	20.3%	22%
Parts expenses as % gross	44.8%	↓	45.2%	40%
Parts stockturn	7.77	↓	7.52	8.00



Lockdown mitigates December losses

Historically December has been a tough month for UK motor retailers, with Christmas reducing both the number of working days and focus. The furlough scheme undoubtedly helped retailers minimise losses incurred during the month, with the average retailer losing just under £3,000 which represents a slight increase on the loss of £1,700 for December 2019. This is a great result given the lockdown



Return on Sales closes the year at just under 1%

A slight worsening in the December loss reduced the return on sales slightly from November's result, however the overall result of 0.94% for the year represents a very strong performance, given the disruption to operations we have seen during 2020. Overall profit levels were down year-on-year however this is very franchise specific, with some brands actually outperforming 2019.



Used car performance remains strong

Despite being locked down for a significant portion of the year and forced to operate through home delivery or click and collect, the industry returned an annual return on investment on used cars of over 80%. If you just look at the ROI for the periods when the showrooms were open then the returns are over 100%, showing the stunning performance from used cars in 2020.



2021 looking like being a game of 2 halves

Q1 undoubtedly looks like it will be difficult, with the sector likely to remain in lockdown until after the end of our most important trading month. Once the showrooms are reopened we are likely to see a boom in trading as customers spend some of the cash they have saved during the lockdown period and they decide to come out of some of the leased vehicles extended in 2020.

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The ASE Key Ratios are a simple way to benchmark performance and quickly assess the strengths and weaknesses of a motor retail dealer. ASE plc collect in excess of 17,000 composite submissions on a monthly basis across the world, whilst ASE Audit LLP offers professional advisory services to over 320 privately owned UK motor businesses.