

Average UK Car Retailer Profitability – July 2020

Strong July result emphasises strength of the motor retail bounce-back

14 key ratios	Rolling 12 months July 2020	Movement on prior month	Rolling 12 months July 2019	Benchmark
Net profit as % sales	0.35%	↑	0.91%	3.0%
Overhead absorption	44.6%	↑	52.2%	80%
Used: new sales	1.67:1	↑	1.54:1	1.5:1
Vehicle sales expenses as % gross	68.8%	↓	66.5%	50%
Sales per sales executive	121	↓	167	150
Used vehicle stockturn (days)	59.8	↑	59.5	45
Return on used car investment	73.9%	↑	76.7%	100%
Overall labour efficiency	83.4%	↑	85.1%	100%
Service gross profit % on labour	74.4%	↑	74.9%	75%
Service expenses as % gross	65.4%	↓	63.0%	40%
Hours per retail job card	1.58	↑	1.55	2.5
Parts gross profit %	21.2%	↑	20.4%	22%
Parts expenses as % gross	45.1%	↓	44.3%	40%
Parts stockturn	7.72	↑	7.36	8.00



Average profits of £52,000

The average UK motor retailer made a profit of £52,000 during the month of July, recovering more than half of the losses suffered during Q2. Whilst some of this may be a result of a submission catch-up, it shows the strength of the bounce-back which retailers have seen since reopening the showrooms in June.



Rolling 12 month ROS now back to 0.35%

The 12 month return on sales figure rose significantly as the positive result for July 2020 contrasted with a break-even month in the prior year. Whilst there is still clearly significant catching up still to do, it shows that even with the 2 ½ month lockdown, motor retailers should still post an average profit for 2020.



Used car ROI up to 73.9%

The used car market has been phenomenally strong since the lifting of the lockdown. This is reflected in the 12 month used car return on investment, which is now back up to 73.9% despite the assets effectively not generating a return for over 2 months of the year. Retail profit per unit is at record levels and significant stock write-downs have not been required.



Q3 strong, but Q4 uncertain

July's strong profitability appears to have continued through August and into September, with both sales and aftersales performing strongly. Q4 looks more uncertain, with the ending of the furlough scheme and increase in cashflow pressures making the future outlook less rosy – retailers need to concentrate on making hay now whilst the sun is definitely shining.

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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.