ase automotive solutions

Average UK Car Retailer Profitability – June 2020

June bounce-back but Q2 average losses of £125k per site

14 key ratios	Rolling 12 months June 2020	Movement on prior month	Rolling 12 months June 2019	Benchmark
Net profit as % sales	**0.07%**	↓	**0.89%**	**3.0%**
Overhead absorption	**42.5%**	↓	**51.7%**	**80%**
Used: new sales	1.65:1	↑	1.45:1	1.5:1
Vehicle sales expenses as % gross	70.7%	↑	66.6%	50%
Sales per sales executive	124	↓	160	150
Used vehicle stockturn (days)	59.2	↑	60.0	45
Return on used car investment	70.8%	↓	76.7%	100%
Overall labour efficiency	82.5%	↑	85.0%	100%
Service gross profit % on labour	74.1%	↓	74.8%	75%
Service expenses as % gross	66.9%	↑	63.3%	40%
Hours per retail job card	1.57	↑	1.55	2.5
Parts gross profit %	20.9%	↑	20.3%	22%
Parts expenses as % gross	46.1%	↑	44.9%	40%
Parts stockturn	7.66	↑	7.33	8.00

Average losses of £125k per site in Q2

The average UK motor retailer lost £125k during Q2, moving from a small profit at the end of March, to a year-to-date loss of over £100k at the end of June. Whilst some retailers are still finalising their results, this shows the impact the shutdown had on the industry. There is good news within this loss, however, with retailer performance in June beating expectations.

Rolling 12 month ROS now just above breakeven

The 12 month return on sales figure stands at 0.07%, with the average retailer just above breakeven. Whilst this is a significant drop, it does show the positive impact of the business model and the furlough scheme in that the average retailer would still emerge from 2020 with a small profit, despite the chaos of the pandemic. Many will beat this if the strength of June and July continues.

June profit up by 26%

Profit for the month of June showed the strength of the recovery of the industry, with a £26k increase in profit on the prior year, despite the showrooms only opening at the start of the month. Strong used and aftersales performance was bolstered by reduced expenses, with many employees still on furlough. This performance is expected to continue in Q3.

Losses principally down to site fixed expenses

The drop in overhead absorption and the fact that the departmental expenses as a percentage of gross ratios remained largely static, shows that whilst retailers were able to reduce their variable expenses, including salaries, the fixed costs of the sites produced the majority of the losses.

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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.