

Average UK Car Retailer Profitability – June 2021

Record June sees UK retailer Return on Sales rise above 2%

14 key ratios	Rolling 12 months June 2021	Movement on prior month	Rolling 12 months June 2020	Benchmark
Net profit as % sales	2.13%	↑	0.07%	3.0%
Overhead absorption	64.9%	↑	42.5%	80%
Used: new sales	1.60:1	↓	1.65:1	1.5:1
Vehicle sales expenses as % gross	58.8%	↓	70.7%	50%
Sales per sales executive	189	↓	125	150
Used vehicle stockturn (days)	47.0	↓	59.2	45
Return on used car investment	94.0%	↑	70.8%	100%
Overall labour efficiency	86.4%	↓	82.5%	100%
Service gross profit % on labour	76.4%	↑	74.2%	75%
Service expenses as % gross	56.3%	↓	66.9%	40%
Hours per retail job card	1.73	↓	1.57	2.5
Parts gross profit %	20.7%	↑	20.9%	22%
Parts expenses as % gross	40.8%	↓	46.2%	40%
Parts stockturn	8.3	↑	7.66	8.00



Record H1 profits generated

June saw the average UK motor retailer make profits of over £100,000 – a stark contrast to the losses recorded in the prior year of £55,000. This marks the end of a phenomenally successful first half of the year, with retailers recording record profits on the back of a strong retail market, healthy aftersales and reduced costs, primarily through government COVID support.



Rolling 12 month return on sales rises to 2.13%

The strong profitability generated during the first half of 2021 sees the majority of franchise composites reporting a return on sales of over 2%. This, combined with the healthy finish to 2020, sees rolling 12 month return on sales hit 2.13%, the highest we have ever reported. This is a direct consequence of increased profits being compounded by a fall in turnover.



Strength in used car profitability continues

Used car return on investment is up to 94% for the rolling 12 month period and would be sitting at 151% if just measured over the past 3 months. We have seen profit per unit continue to increase and stockturn shorten, reflecting the current stock shortages. With limited new car self-registrations, this situation looks set to continue into 2022.



Costs set to rise in H2

Costs are set to rise in the second half of 2021 with the ending of the government's rates support and the winding down of the CJRS furlough scheme. We can also expect to see increased franchising costs as brands look to push out new programs. With new cars in short supply, this looks set to provide a double hit to profitability.

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. The analysis and commentary has been performed by Mike Jones utilising data generated by ASE plc and others.