

Average UK Car Retailer Profitability – May 2021

Bumper May profits drives return on sales up to 1.45%

14 key ratios	Rolling 12 months May 2021	Movement on prior month	Rolling 12 months Mar 2020	Benchmark
Net profit as % sales	1.45%	↑	0.60%	3.0%
Overhead absorption	58.3%	↑	48.1%	80%
Used: new sales	1.61:1	↓	1.60:1	1.5:1
Vehicle sales expenses as % gross	62.4%	↓	68.6%	50%
Sales per sales executive	123	↓	152	150
Used vehicle stockturn (days)	62.1	↓	57.8	45
Return on used car investment	93.5%	↓	77.0%	100%
Overall labour efficiency	90.8%	↑	83.3%	100%
Service gross profit % on labour	75.9%	↓	74.5%	75%
Service expenses as % gross	58.0%	↑	65.3%	40%
Hours per retail job card	1.67	↑	1.56	2.5
Parts gross profit %	20.5%	↑	20.5%	22%
Parts expenses as % gross	42.8%	↓	45.4%	40%
Parts stockturn	7.8	↓	7.61	8.00



Return on Sales rises to 1.45%

May is traditionally a tough month for motor retailers, but 2021 bucked the trend with the average retailer delivering a bumper profit of over £60,000 in the month. Whilst this was aided by the early recognition of some bonuses it shows the health of current profitability in the sector in spite of new car supply shortages.



Used market remains buoyant

The used car market continued on its recent track of delivering record profitability levels. Margins remain very strong, with increased purchase prices being successfully passed on to the customer. As yet there is no sign of this ending, and with the continued new car supply shortages limiting the supply of late-plate vehicles, this is set fair for the foreseeable.



Strong profitability amongst premium retailers

The strong May performance was particularly shown by the premium retailers who delivered a very strong performance for the month. Some of these franchises are producing unprecedented used car profitability, which is accentuating the strong new car performance and reduced costs.



Post June, costs will start to rise

Motor retailers have undoubtedly benefitted massively from the Government's support schemes, which started to tail off from the end of June. This will see costs rise and it will be a real challenge to maintain current profitability levels, particularly given the new and used car shortages we are seeing.

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.