

## Average UK Car Retailer Profitability – October 2021

# Boom in motor retailer profitability continued in October

| 14 key ratios                     | Rolling 12 months Oct 2021 | Movement on prior month | Rolling 12 months Oct 2020 | Benchmark |
|-----------------------------------|----------------------------|-------------------------|----------------------------|-----------|
| Net profit as % sales             | 2.50%                      | ↑                       | 0.92%                      | 3.0%      |
| Overhead absorption               | 58.0%                      | ↓                       | 52.0%                      | 80%       |
| Used: new sales                   | 1.13:1                     | ↓                       | 1.56:1                     | 1.5:1     |
| Vehicle sales expenses as % gross | 54.6%                      | ↓                       | 66.0%                      | 50%       |
| Sales per sales executive         | 122                        | ↓                       | 140                        | 150       |
| Used vehicle stockturn (days)     | 53.2                       | ↓                       | 62.7                       | 45        |
| Return on used car investment     | 80.4%                      | ↓                       | 82.5%                      | 100%      |
| Overall labour efficiency         | 84.4%                      | ↓                       | 85.6%                      | 100%      |
| Service gross profit % on labour  | 74.4%                      | ↑                       | 74.5%                      | 75%       |
| Service expenses as % gross       | 54.7%                      | ↓                       | 61.8%                      | 40%       |
| Hours per retail job card         | 1.66                       | ↑                       | 1.56                       | 2.5       |
| Parts gross profit %              | 21.5%                      | ↑                       | 20.3%                      | 22%       |
| Parts expenses as % gross         | 39.0%                      | ↓                       | 44.9%                      | 40%       |
| Parts stockturn                   | 9.68                       | ↑                       | 7.76                       | 8.00      |



### Retailers make £62,000 in October

The average UK motor retailer continued their strong performance during 2021 as they made £62,000 during the month of October. This represents an increase of £9,000 on the profit made during October 2020 and continues the trend of prior year outperformance, despite lower new car registrations.



### Rolling 12 month return on sales rises to 2.5%

The combination of increased profits, with lower levels of turnover arising from the new car shortages, has seen the average rolling 12 return on sales rise to 2.5%. This represents the highest average level we have seen, showing what a boom time 2021 has been for retailers.



### Used car prices and margins stable

During October we continued to see a stabilisation in the used car market after a summer of growth. Prices have risen in the wholesale market, with this price rise being successfully passed on to consumers, but the growth in gross profits has now stalled, producing a slow fall in the return on investment.



### Record profit on track for 2021

It now seems certain that retailers will break all profit records with their 2021 profitability. This has been driven by very strong margins, across new and used sales, allied to reduced costs with government support during the first half of 2021. The market dynamics look set to continue, at least for the first half of 2022.

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.