

Average UK Car Retailer Profitability – July 2019

● Small profit provides steady start to H2 for UK Motor Retailers

ASE's 14 key ratios	Rolling 12 months July 2019	Rolling 12 months July 2018	Benchmark
Net profile as % sales	0.91%	0.90%	3.0%
Overhead absorption	52.2%	52.9%	80%
Used: new sales	1.53:1	1.34:1	1.5:1
Vehicle sales expenses as % gross	66.5%	67.1%	50%
Sales per sales executive	166	161	150
Used vehicle stockturn (days)	59.5	56.8	45
Return on used car investment	77.0%	84.5%	100%
Overall labour efficiency	85.1%	84.4%	100%
Service gross profit % on labour	74.9%	74.8%	75%
Service expenses as % gross	63.0%	62.2%	40%
Hours per retail job card	1.55	1.51	2.5
Parts gross profit %	20.4%	23.3%	22%
Parts expenses as % gross	44.3%	50.5%	40%
Parts stockturn	7.36	7.14	8.00

↑ Marginal improvement in July performance

Given recent trends in registrations and profitability, any improvement is to be welcomed and the average UK motor retailer moved from a small loss in July 2018 to a marginal profit in July 2019. Even though the entire profit swing was less than £2,000, this represents a steady start to the second half of the year, particularly given the uncertainty on the horizon

✓ Used car performance remains key

The profitability improvement was once again driving by the contribution from the used car department. Levels of stock remain high, however, which has seen the return on investment remain below 80% for the past 5 months. An improvement in stockturn would be desirable, which would both improve the return and reduce any residual value risk.

⊞ Retailer stock levels remain high

With the impending RDE deadline hitting in September we are monitoring closely to determine the level of retailer self-registration activity and overall used car stock levels. Average stock investment fell slightly during July, however investment remains at a historically high level. Whilst used cars are generating significant profits, managing stockturn will be a focus for H2.

? Uncertain outlook for the remainder of 2019

With the RDE deadline, Brexit plus a faltering economy, the industry is likely to have plenty of challenges in the second half of 2019. There are few signs that retailers will be able to catch-up the year-on-year underperformance in profit we saw in H1, however we are expecting H2 to show a rosier picture, in terms of both comparative profitability and registrations

For further information please contact:

Mike Jones BSc FCA  + (0)161 493 1930  mike.jones@ase-global.com

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.