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***DEALERSHIP BLUE SKY VALUES ARE STILL MORE THAN 2.5X HIGHER THAN IN 2019 –  
DRIVING HIGHEST PRICE EVER PAID FOR A DEALERSHIP IN AUTOMOTIVE HISTORY***

Fort Lauderdale, FL. [Haig Partners LLC](#) released its closely followed [Haig Report®](#) for Q2, which tracks trends in auto retail and their impact on dealership values.

The blue sky values of dealerships remain high, although they are slightly declining since their peak in 2022. Haig Partners estimates the average blue sky value for a dealership has dropped 7% since the end of 2022 due to lower earnings. The good news for sellers is that the blue sky value for a typical store is still more than 2.5x higher than in 2019. On another positive note, some brands, like Toyota, have managed to remain unaffected by this trend. Haig Partners represented the seller on the [sale of Al Hendrickson Toyota](#) in South Florida for a value that we believe to be the highest price ever paid for a single dealership.

The decline in dealership profits is primarily related to lower margins on new and used vehicles. Big price increases and higher interest rates have begun to impact consumers' purchasing power. At the same time, increased production by the OEMs is resulting in elevated inventories which gives dealers less pricing power. Higher floorplan expenses are also hurting dealers. The dealer community has been anticipating such a phase, so no one is surprised. Fortunately, a portion of the decline in variable gross profit has been offset by a healthy increase from fixed operations as consumers are pouring money into older vehicles to keep them on the road. The bottom line of these changes is that pre-tax profits at dealerships owned by the publicly traded retailers in Q2 2023 were 18% below what they were in the same period in 2022. To keep this level of earnings in perspective, dealership profits are still nearly 3.0x higher today than what they were in 2019. The industry is still in a very healthy position.

Highlights from the [Q2 2023 Haig Report®](#) include:

- **Dealership buy-sell activity picked up in Q2, with the number of rooftops trading hands rising 13% in Q2 compared to Q1 2023, climbing from 127 to 143.**
- **Public company spending on domestic dealership acquisitions ramped up in Q2 2023, nearly reaching \$1B in the quarter, bringing Q2 2023 YTD spending nearly in line with 2022.**
- **The average publicly owned dealership made \$5.8M in the 12-month period ended Q2 2023, a 10% drop from year-end 2022.**
- **Dealership profits in Q2 2023 decreased 18% from \$1.8M in Q2 2022 to \$1.5M in Q2 2023. Despite this decline, profits remain nearly 3.0x higher than pre-pandemic levels.**
- **Average estimated blue sky values per store remain robust in Q2 2023, down just 7% from the record seen in 2022.**

Alan Haig, President of Haig Partners, shared, "The buy-sell market is holding up well. Many dealers are on the hunt for stores to buy and they are finding a healthy supply of dealerships for sale. In the first half of 2023, an estimated 270 dealerships were sold. If the current pace continues, 2023 will turn out to be the third most active year for buy-sells.



What is becoming more difficult now is for buyers and sellers to agree on value. Some sellers want to sell at yesterday's price and some buyers want to buy at tomorrow's price. In these times, it is more important than ever for a seller to run a competitive sale process to make sure that the Most Motivated Buyer<sup>®</sup> has an opportunity to bid for their business. Also, running a process will allow a seller to reach an agreement with a buyer more quickly, an important consideration during a time when dealership values may be slowly declining."

### Q2 2023 Haig Report<sup>®</sup> Highlights

- **Buy-sell outlook for 2023.** The dealership buy-sell market remains strong, with buyers remaining highly interested in adding dealerships and sellers receiving strong blue sky values for their dealerships. If the current level of activity being seen in Q2 continues, we will see more than 500 dealerships sell in 2023.
- **EVs and a nation unplugged.** Is America truly ready for the Electric Vehicle revolution? While Federal and certain state governments appear confident, doubts linger among dealers, OEMs, consumers, insurance companies, lenders and other members of the transportation ecosystem.
- **Interest rates and debt, a cautionary tale.** The Fed reported that the probability of being rejected for an auto loan in the next twelve months is almost 31% - the highest level since 2014. Factors include the percentage of Americans paying over \$1,000 a month on their new vehicle auto loans, which have reached a new record in Q2 2023, according to Edmunds. Other forms of debt are also increasing. In August 2023, the total credit card debt among Americans reached \$1 trillion for the first time on record. In Q3, student loan interest repayments will return for 45 million Americans, further reducing purchasing power for some buyers.
- **Fixed operations gross profit is soaring.** Gross profit from fixed operations continues to climb, increasing 9.7% in Q2 2023 YTD over the same period last year. With an average fleet age of 12.5 years – the highest average age on record – customers are spending more to keep their vehicles on the road since they are having a harder time replacing them. Alongside aging vehicles, recalls continue to keep service bays full, impacting 16.7M vehicles in the first half of 2023, putting the year on pace to eclipse the 30.8M total recalls seen in 2022. The impact of climbing RO counts is being further compounded by increasing labor rates, driving record profits from fixed operations departments nationwide.
- **Outlook for future dealership profits.** Profits for the publicly traded dealership groups have been declining over the past several quarters. Dealers have shared with us varying opinions on where profits will end up in the long term. The conservative opinion is that nothing has structurally changed in our industry and that OEMs will overproduce and dealerships will revert to their earlier levels of profitability. Another opinion is more optimistic, that the OEMs will not overproduce. These dealers believe that profits will land somewhere between 2019 and 2022 levels.
- **Franchises continue growth, with some exceptions.** New vehicle unit sales continue to recover at a rapid pace, as 20 of the 24 franchises we track sold more units in Q2 2023 YTD compared to



the same period in 2022. Growth was much needed at Infiniti (+48.1%), Acura (+39.3%), Audi (+29.6%) and Mazda (28.7%). Stellantis, Mercedes-Benz, Toyota and Lincoln were all slightly down in Q2 2023.

The team at Haig Partners is enjoying this remarkable period of good fortune. Earlier this year, we advised the sellers on two record-setting transactions, [Al Hendrickson Toyota](#) located in Florida and [Lake Norman Chrysler Dodge Jeep Ram](#) located in North Carolina, and there is a good chance there are more to come. For dealers interested in potentially selling, we encourage you to [contact any member of our team](#) to learn how we can help you Maximize the Value of Your Life's Work®.

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### **About The Haig Report®**

The [Haig Report®](#), the leading industry quarterly report that tracks trends in auto retail and their impact on dealership values, includes data and analysis on the performance of auto dealerships, discusses noteworthy events impacting the automotive retail industry, identifies trends in the M&A market for dealerships, provides guidance on estimated value ranges for different franchises and shares an outlook for the automotive retail buy-sell market. The Haig Report® is based on data gathered from reputable public sources and interviews with leading dealer groups and dealers, bankers, lawyers and accountants who specialize in auto retail.

### **About Haig Partners**

Haig Partners is a leading advisory firm that helps owners of higher-value auto, truck, RV, and motorsports dealerships maximize the value of their businesses when they are ready to sell. The team at Haig Partners has advised on the purchase or sale of more than 540 dealerships with a total value of over \$9.4 billion and has represented 26 dealership groups that qualify for the Top 150 Dealership Groups list published by *Automotive News*, more than any other firm. Clients of Haig Partners benefit from the group's collective experience as previous executives with leading companies such as AutoNation, Bank of America, J.P. Morgan, Credit Suisse, FORVIS, and Deloitte. Leveraging its unmatched expertise and extensive relationships, Haig Partners guides clients to successful outcomes through a confidential and customized sales process. The firm authors [The Haig Report®](#), the leading industry quarterly report that tracks trends in auto retail and their impact on dealership values, and co-authors NADA's Guide, "Buying and Selling a Dealership." Haig Partners team members are frequent speakers at industry conferences and are regularly quoted in reputable media outlets, including Reuters, Forbes, The Wall Street Journal, The New York Times, CNBC, Automotive News, Wards, and CBT News. For more information, visit [www.haigpartners.com](http://www.haigpartners.com).

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