



PRESS RELEASE | DATE: November 27, 2023

***PROFITS AT DEALERSHIPS ARE TRENDING DOWN, BUT BUY-SELL ACTIVITY REMAINS ACTIVE,
WITH AVERAGE BLUE SKY VALUES STILL MORE THAN DOUBLE 2019 LEVELS***

Fort Lauderdale, FL. [Haig Partners LLC](#) released its closely followed [Haig Report®](#) for Q3, which tracks trends in auto retail and their impact on dealership values. Overall demand for dealerships remains high thanks to earnings that remain well above historical levels. At least 385 rooftops have traded hands through the end of Q3 2023. At this pace, 2023 will be the third most active year for dealership buy-sells, following 2021 and 2022.

Due to lower profits, Haig Partners estimates that the average blue sky value per publicly owned dealership at the end of Q3 declined by 12% compared to year-end 2022, a little over 1% per month. However, these declines are not being felt evenly across all franchises or regions. This year, Haig Partners advised Al Hendrickson, Jr. on selling his Toyota dealership in South Florida for the highest price ever paid for a single franchise. Demand for Toyota dealerships remains elevated. In November, Haig Partners received very desirable offers for several other Toyota stores it is representing.

In addition to Toyota, Haig Partners is seeing strong demand for a number of other franchises and for dealerships of almost all kinds located in regions that are growing quickly and have pro-business climates. Two Mercedes-Benz dealerships were recently sold in Miami-Dade County for more than \$700M, including real estate. Haig Partners knows of other pending sales in FL that will set record-high values for the franchises involved. Other geographic locations are also seeing impressive prices for dealerships, including Texas, the Southeast, Mid-Atlantic, Mountain States and the Southwest, where dealers want to grow.

Highlights from the [Q3 2023 Haig Report®](#) include:

- **The average publicly owned dealership made \$5.4M in the 12-month period ended Q3 2023, a 17% drop from year-end 2022. Despite the decline, profits remain more than 2.5x higher than pre-pandemic levels.**
- **The average estimated blue sky value per publicly owned dealership remained elevated in LTM Q3 2023, down just 12% from the record levels seen in 2022.**
- **Valuations are becoming more complicated due to uncertainty about where future profits will settle, but desirable franchises and attractive markets continue to command premium prices.**
- **Public company acquisition spending rose in Q3 2023, reaching nearly \$2B YTD, bringing spending above levels observed in the same period last year.**

Alan Haig, President of Haig Partners, shared, "The buy-sell market remains near record levels due to strong profits and significant demand from dealers who want to grow their companies. Declining profits continue to reduce blue sky values from the record highs we saw in 2022, but they remain 2.3x above pre-pandemic levels. We believe blue sky values will remain elevated since buyers believe profits will also remain elevated. There is pent-up demand for new units and service drives remain full.



Higher interest rates impact dealership buyers, just as higher interest rates affect auto buyers. Fortunately for dealership sellers, buyers have an immense amount of cash on their balance sheets thanks to three years of pandemic-booster profits, so they can use their savings to finance a good portion of acquisitions. We are also seeing some dealership groups divest certain brands or stores in markets where they would like to exit, taking the capital from those sales and reinvesting in acquisitions elsewhere.

There are several other factors supporting the buy-sell market today. We are past the UAW strike, which did not have a terrible effect on dealers. Inflation is declining, GDP is growing faster than expected, employment is rising steadily, and a significant recession, which was predicted by many, if not most, economists, seems less likely with each month. Dealership buyers respond to these conditions with strong offers when the right dealerships come up for sale. For dealership sellers with realistic expectations, we are confident they can expect strong values for the balance of 2023 and into 2024.”

Q3 2023 Haig Report® Highlights

- **Buy-sell outlook.** The level of acquisition activity by private dealership groups was impressive during Q3. While YTD transaction volume lags that experienced in 2022, the third quarter of 2023 saw 30% more stores trade hands compared to a typical, pre-COVID third quarter. Private groups continue to search for opportunities to further build their scale. On the public side, several auto retailers are preparing for Q4 2023 and Q1 2024 acquisitions.
- **Public company acquisition spending tumbles in Q3.** Spending on domestic auto dealership acquisitions declined 92% quarter-over-quarter, plummeting from \$956M in Q2 to just \$80M in Q3. Overall, total acquisition spending from the publicly traded auto retail groups was down 78% on a quarterly basis, which we attribute to these groups investing significant time on evaluating large and/or international acquisition opportunities. Looking ahead, Haig Partners expects a spike in domestic spending in either Q4 2023 or Q1 2024.
- **Dealership profits are declining.** Profits have been on the decline for the publicly traded auto retail groups over the past several quarters. By the end of 2023, Haig Partners predicts that the public groups will show a decline in profit per dealership in the 20-30% range. This decline is not being seen equally by all franchises, however. The profits at the hottest brands are holding up better than those where days’ supply is highest. Toyota and Honda dealers are still feeling pretty good, while some Stellantis dealers are seeing profits retreat to where they were in 2019.
- **UAW strike ends, and all OEMs feel some pain.** At the writing of the Q3 2023 Haig Report®, the UAW was ratifying tentative agreements with Ford, GM, and Stellantis. Although the agreements with each OEM vary slightly, the same key points have been met, with wages going up significantly for employees. This will result in higher costs per vehicle, with Ford reporting an estimate of \$850-\$900 per vehicle built by the Detroit 3. The UAW strike also impacted international manufacturers, which have announced wage increases for their U.S. workers, with Toyota at 9.2% for all its non-union factory workers in the U.S., Honda at 11%, and Hyundai matching the UAW offer with a 25% pay raise by 2028.
- **Fixed operations is a profit powerhouse.** Fixed operations gross profit continues to climb at an impressive rate, rising 9% from YTD Q3 2022 to YTD Q3 2023. Drivers have returned to the road in full force, expecting to cover nearly the same number of miles in 2023 as in 2019. The average



vehicle on the road hit 12.5 years old this fall, the highest age on record, and these vehicles have higher mileage than ever before. Additionally, consumers that want to purchase new vehicles have been met with record-high new vehicle prices and high interest rates, making new vehicles unaffordable for many today.

- ***Hyundai and Amazon partnership announcement.*** Hyundai will be expanding its digital showroom into Amazon in 2024. Customers will be able to shop for, equip, and purchase new vehicles through Amazon.com, which will then be delivered through local dealers. On one side, Haig Partners sees a few potential benefits. For consumers, the convenience and ease of online shopping may translate to an improved buying experience compared to the current model, which means they may purchase vehicles more frequently. For OEMs, Amazon could help elevate the visibility and desirability of their products for dealers. For dealers, selling through Amazon provides an opportunity to reach customers who may otherwise buy from Tesla or other direct-to-consumer sellers. The risk to dealers is that the gross profits on new cars get pushed down significantly. Until more is known about this trial, it's difficult to assess its long-term impact on the industry.
- ***Toyota continues to dominate brands as one of the most desirable franchises to acquire.*** Earlier this year, Haig Partners represented the owner of Al Hendrickson Toyota, which brought the highest price ever paid for a single dealership. And in November, buyers made impressive offers on five other Toyota dealerships that Haig Partners is representing for sale. Strong product is a big reason why informed buyers are so bullish on the brand. Dealers admire Toyota's approach to drivetrains and its electrification strategy and often talk about the trust that exists between themselves and the factory.

For dealers who would like to have a confidential conversation about the value of their dealerships or to learn more about today's buy-sell market, 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®.

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 buy-sell 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 \$9.6 billion. It 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, Toyota Financial Services, 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, BBC, CNBC, Automotive News, Wards, CarDealershipGuy and CBT News. For more information, visit www.haigpartners.com.

Media Contact:

Aimee Allen
Director of Marketing and Business Development
Haig Partners
aimee@haigpartners.com
[\(603\) 933-2194](tel:6039332194)