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AUTO DEALERSHIP BUY-SELL VOLUME SETS RECORD IN Q1 2024, EVEN AS PROFITS DROP

Fort Lauderdale, FL. [Haig Partners LLC](#) released its Q1 2024 Haig Report®, the longest-published quarterly report in auto retail tracking industry trends and their impact on dealership values. Q1 2024 sets a new record for the highest number of dealerships bought or sold in any first quarter despite declining profits.

The Q1 2024 release marks the 10th anniversary of The Haig Report®, which was first released in Q1 2014. Every quarter for the past decade, the team at Haig Partners has provided reliable, routine updates on trends within auto retail and their resulting impact on dealership values. The Haig Report® has gained a significant following since its inception in 2014, but its goal remains the same: to help buyers and sellers of dealerships make better, more informed decisions.

Auto dealership buy-sell activity surges in Q1 2024.

More dealerships traded hands in Q1 2024 than any other first quarter in auto retail history, with an estimated 151 dealerships bought or sold. Private dealers were highly acquisitive in Q1, acquiring an estimated 131 dealerships, of which 15% were purchased from clients of Haig Partners. Publicly traded auto retailers acquired a total of 20 domestic auto dealerships in Q1, 10x more than the same period in 2023.

Dealership profits continue to decline.

The average dealership owned by public retailers generated \$1.0M in pre-tax income in Q1 2024, reflecting a 26% decline from Q1 2023. Over the last 12 months, the average publicly owned dealership made \$5.0M in pre-tax income, a 6.2% decrease from YE 2023 and a 25.7% drop from YE 2022. Haig Partners believes that profits will continue to decline throughout the remainder of 2024. However, these averages can obscure trends occurring at the franchise level, where we are noticing a growing level of variation in dealership performance across different franchises. Profits at Lexus, Toyota and Honda have remained high, thanks in part to tight days' supply. On the other end of the scale, many Stellantis, Nissan and Infiniti dealers have seen their profits drop by more than 50% since last year.

Blue sky values remain near record levels.

Haig Partners reports that the estimated average blue sky value of a publicly owned dealership was \$19.0M in Q1 2024, a decline of 5% from YE 2023 and a decline of 18% from YE 2022. Haig Partners estimates that dealership blue sky values will continue to decline throughout 2024 at 1-2% per month. Even with this decline, the implied blue sky values at dealerships owned by public retailers remained closer to peak levels than those of 2019. The demand for dealerships, and therefore the prices buyers are willing to pay for dealerships, remains elevated.

Buy-sell activity for the remainder of 2024 likely to remain elevated.

The [Q1 Haig Report®](#) predicts a busy 2024, with a level of activity that could rival – or even eclipse – the number of dealership buy-sells that occurred each of the past three years. Our firm has already served as the exclusive sell-side advisor on the sale of [28 dealerships through the middle of May](#), and our



pipeline of pending transactions is robust. With valuations for most dealerships still well above pre-pandemic levels, owners can sell their stores for high prices and move on to the next stages of their lives. The preceding four years have significantly boosted the wealth of almost every auto dealer in the U.S., which accelerates the age at which they can retire comfortably and provide for their heirs and charitable interests.

Key takeaways from the [Q1 2024 Haig Report®](#) include:

- **The average publicly owned dealership made an estimated \$5.0M in the 12-month period ended Q1 2024, a 26% drop from 2022. Despite the decline, average profits remain 2.5x higher than pre-pandemic levels.**
- **Q1 2024 was the most active first quarter on record for dealership M&A in auto retail history, with an estimated 151 dealerships bought or sold.**
- **Public company acquisition spending on domestic auto dealerships reached \$1.3B, which was 14x higher than Q1 2023.**
- **Average estimated blue sky values remained at elevated levels in LTM Q1 2024, down just 18% from the market peak in 2022.**

[Alan Haig](#), President of [Haig Partners](#), shared, “In the last ten years, our team has grown from one to 15 professionals as auto dealers have chosen our firm to help them Maximize the Value of Their Lives’ Work in a professional and confidential manner. Our team has executive experience in the auto retail, commercial banking, investment banking, accounting, and consulting industries. Collectively, we have had the honor of being involved in the purchase or sale of more than 580 dealerships with a transaction value of over \$11 billion.

“Automotive retail has also experienced growth and change during this time. Almost every year, we see new opportunities and threats present themselves. The only constant is change! And this year is no different. So far, in 2024, we are seeing some interesting developments.

“While average dealership profits have begun their expected decline, the overall health of the US auto industry remains remarkably healthy. The average dealership still makes more than twice as much profit as before the pandemic hit. Dealership performance varies significantly depending on franchise and location, though. We are happy for our friends who own Lexus, Toyota and Honda dealerships, and hopeful for our friends who own Nissan and Stellantis stores.

“The market for buying and selling dealerships is remarkably strong. We saw record high levels of deal activity in Q1 2024 despite the declining earnings and high interest rates that would normally suppress demand for acquisitions. The demand for dealerships appears to be fueled by significant savings that buyers accumulated in recent years, and their confidence in the future of auto retail. And along with the strong demand, the supply of stores for sale has increased as dealers have decided they are willing to retire early thanks to the windfall of profits from the past four years. More demand and more supply is leading to more deals.

“In addition to the high volume of buy-sells, we are still seeing high values for many franchises. For instance, our firm had the honor of representing the owners of Vista BMW, South Honda, and Al Hendrickson Toyota dealerships over the past year, and we sourced what is believed to be record-high goodwill values for each of these franchises. We are closing on the sale of another dealership in Florida



in early June 2024 that may establish another record-high value for that franchise. Unfortunately, these high values don't exist for all franchises. We can't recall a time when the gap in valuation between a Toyota dealership and a Nissan dealership has been so significant."

Q1 2024 Haig Report® Highlights

- **Franchise valuation ranges and takeaways.** Haig Partners reports three changes to franchise multiples for Q1 2024:
 - Reductions for both Nissan and Stellantis (CDJR) by 0.25x.
 - Recategorization of Infiniti to an average range in dollar value, as opposed to the other franchises we track, which we see trade at multiples of adjusted pretax income. This change is because we believe the profits at many Infiniti stores have essentially evaporated, so they are not selling based upon a multiple of profits. Some Infiniti dealerships may be worth far more than we indicate below if they are making profits of a million dollars or more.
- **Midline import and luxury brands lead new unit sales growth.** New vehicle sales increased 5.6% from Q1 2023 to Q1 2024, with 16 of the 23 franchises we track enjoying higher sales volume compared to last year.
 - **Highest sales growth in Q1:** Lincoln (+31.5%), Toyota (+21.3%), Volkswagen (+21.0%), and Honda (+20.9%).
 - **Greatest sales decline in Q1:** Porsche (-23.0%), Audi (-16.2%), Infiniti (-11.8%) and Stellantis (-9.6%).
 - **Korean brands hitting a wall?** Another standout trend from the Q1 sales report relates to Kia and Hyundai/Genesis. After breaking sales records month after-month and quarter-after-quarter, both Kia and Hyundai/Genesis saw sales either stagnate or decline in Q1. We believe the driving factor behind this change is that production levels are rising amongst key competitors, namely Toyota and Honda.
- **Fixed operations gross profit continues to climb.** Gross profits from fixed operations increased 6.1% over Q1 2023. These higher profits are helping to offset declining gross profits from new and used vehicle departments. In their Q1 earnings calls, the publicly traded auto retail groups were vocal about their success in fixed operations. Both Sonic Automotive and Group 1 set new records for fixed operations performance in the first quarter of 2024, attributing much of their growth to double-digit increases to both warranty and internal pay rates. The publics are also experiencing an increased volume of high-value repair orders, further contributing to departmental performance.

As we enter our 10th year, our team at Haig Partners thanks you for following our report. We write this report for the benefit of dealers who are interested in buying or selling dealerships. Many of you have contributed your thoughts or data for the benefit of fellow readers, and for this we are grateful. Please [contact any of us](#) to discuss today's market and how we might be able to help you Maximize the Value of Your Life's Work™.



About The Haig Report®

The [Haig Report®](#), the longest-published quarterly report tracking 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 580 dealerships with a total value of over \$11 billion. It has represented 28 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 Ally Financial, AutoNation, Bank of America, Credit Suisse, Deloitte, FORVIS, J.P. Morgan, the Sewell Automotive Companies and Toyota Financial Services. 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, BBC, Automotive News, Wards, CarDealershipGuy and CBT News. For more information, visit www.haigpartners.com.

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