

# Auto Retail Buy-Sell Insights



## Stay Calm and Keep Selling On

Authored By: Alan Haig | April 3, 2025

Our industry has weathered countless risks in the past, and it will weather tariffs as well.

President Trump announced tariffs that will be levied against imported vehicles and parts. No one can accurately calculate what this means for auto dealership profits at this point. Thankfully, we can **look to history to make us feel better about the future.**

Auto retailers have **successfully navigated many risks over the previous decades.** From 1984 to 2019, dealerships had an average pre-tax margin in the 2%-3% range. They never had a losing year. And we all know that COVID turbocharged dealerships, leading to pre-tax margins averaging 5%-10%. Auto dealers overcome challenges for two main reasons. First, the business model is highly flexible and diverse. Dealerships have five different businesses under one roof and a significant portion of their costs are variable. Second, auto dealers have proven themselves to be the most successful entrepreneurs in our nation's history. They can respond almost instantly to short-term challenges such as the shock we had to vehicle supply during COVID. And they can respond to long-term challenges such as consolidation and the changing demands of consumers. The majority of dealerships are still owned by families who live and work in their hometowns. They are closely connected to their communities, and they are well connected politically. Auto dealers will find a way to respond to tariffs and remain highly profitable while still serving their customers and communities.

We recently had the [opportunity to sit with Senator Bernie Moreno \(R - Ohio\)](#). We were honored that he took the time to provide us with thoughtful, informed and unfiltered information and advice that we can share with you. Senator Moreno is the first auto dealer to be a senator. He built a 15-store auto group from scratch before selling the dealerships and entering public service. Senator Moreno has [drafted legislation that would eliminate the EV sales requirements](#) that have been adopted by 14 states and provide tax credits to OEMs who produce vehicles in the US. He believes that by setting more reasonable requirements for an EV transition, OEMs (apart from Tesla) will reap significant financial benefits since they are suffering big losses on each unit they are selling today. The savings from lower taxes and the elimination of EV losses could be applied to reduce the prices of ICE vehicles, thereby reducing the impact of tariffs on our industry.

**Senator Moreno is bullish on the future of auto retail. Here is a portion of what he said, and [the full interview can be found here.](#)**

**Alan Haig:** "For those interested in growing in auto retail, with what's going on now with tariffs and the transportation bill that you're proposing, is there a reason for them to pause that growth, or do you see the future being as bright or even brighter?"

**Senator Moreno:** "So I divide people this way. 10% of the people will get scared and flee. **10% of the people will figure this is an incredible opportunity and double down, triple down, and invest.** And 80% will wait and follow what the loudest 10% does. And I think right now, if I was in the car business today, I would be investing, I'd be buying, I'd be growing, because you take advantage of the fact that some people don't know how to manage change."

**And these are not just empty words.** The Moreno family has a new generation entering the auto retail business. Senator Moreno shared, "My youngest son is 26 years old and is going to be a Mercedes dealer in Columbus, OH. And you know, it's proof why generational movement matters. He knows much more about the business than I ever imagined knowing when I was his age. And he has a different view, a different perspective on the car business. How to move things along differently than I would have. So, I'm super excited to have him do this on his own. **It's his first dealership, and there is nothing more heartwarming than to see your kids end up smarter and more successful than you are. There's nothing better.**"

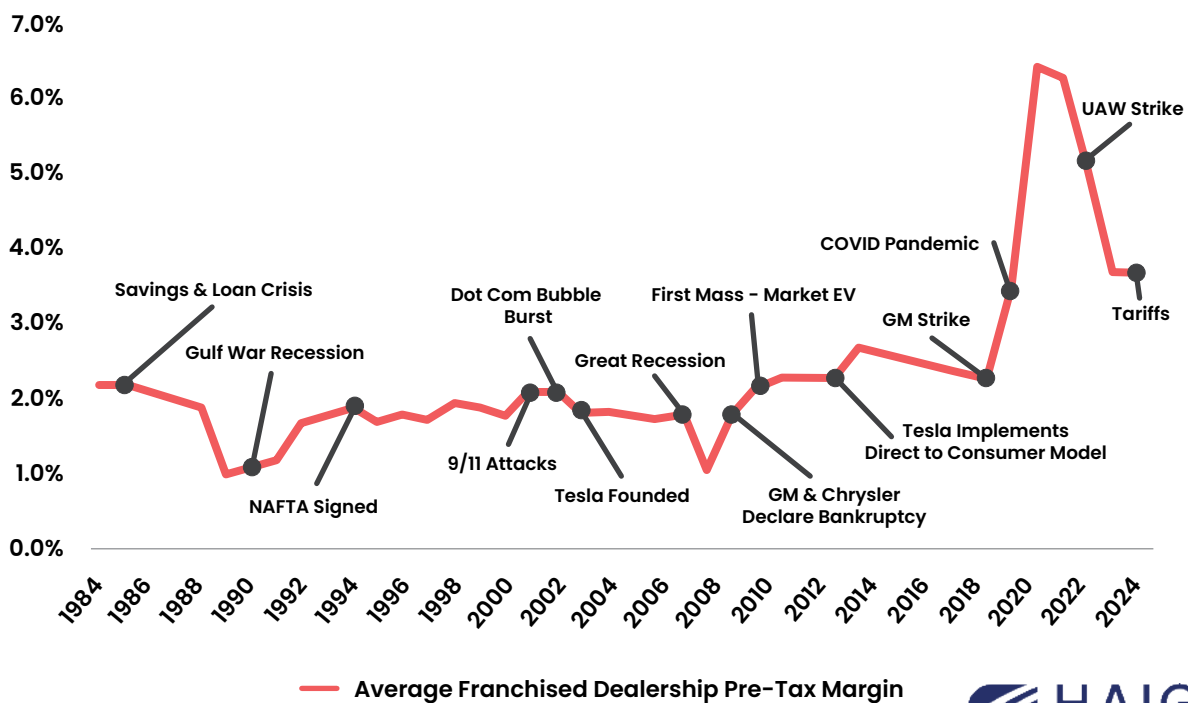
**Senator Moreno and his family are among the 10% that are doubling down on the auto retail industry.** What about the 80% that are watching and deciding what to do? For those dealers, I will share what we are seeing in the buy-sell transactions that we are leading.

In 2024, Haig Partners advised on the sale of 54 dealerships across the US, about 10% of all sold for the year. So far in 2025, we have been involved in buy-sells for eight dealerships and (at the risk of jinxing ourselves!) have agreements in place with buyers to **sell another 34 dealerships by the end of the second quarter**. The **blue sky values the buyers are paying are about twice what they would have been in 2019**, since profits remain about twice as high as they were in 2019. None of the buyers have asked to pause or tried to propose new terms. They see the dealerships as assets that fit their acquisition strategies and that they will be owning for decades to come. These buyers are not deterred by any short-term impacts that tariffs might bring. We also have 29 other dealerships that we are currently marketing or will start marketing this month. **Our team believes that most of these offerings will also be well received, and here is why.**

**Tariffs will not have a significant impact on buyers' returns on investment if they hold the dealerships for ten or more years.** One concerned dealer told us he could see profits at dealerships dropping by 20% for three years before they recover. Let's assume this bearish outlook becomes reality and examine what would happen to a dealer's returns from an acquisition. A dealer buys a store today by paying blue sky equal to 5.0x annual pre-tariff pre-tax profits, plus invested working capital equal to another year of profits, plus a smaller amount for the furniture, fixtures and equipment, so 6.1x annual profits altogether. He keeps the dealership for ten years and then sells it for the same value he paid, so no increased value for inflation, population growth or any operational improvements. Using these highly conservative assumptions, the buyer would receive an internal rate of return ("IRR") of 14.5%. Without tariffs, meaning the profits remain constant during the ten-year term, these same assumptions would yield a buyer an IRR of 16.2%. Given this small difference in IRR, we believe buyers will proceed with acquisitions that offer them the franchises and locations they are seeking. The alternative for buyers is to hold their cash and invest in other opportunities that will likely yield them a lower return than investing in dealerships. These buyers would then see stores they want acquired by other dealers. Consider a dealer who bought a dealership in 2007, only to endure the Great Recession of 2008 and 2009. They had an unpleasant couple of years, but they are certainly glad they own that dealership today.

The buyers we are working with now appear to be in the 10% that Senator Moreno described, those who want to double down or triple down on investing in dealerships because of the bright futures in front of them. This 10% is the group that will dominate the future of auto retail.

## DESPITE RISKS, AUTO RETAIL IS REMARKABLY CONSISTENT



Source: SEC Filings, WardsAuto InfoBank, NADA



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