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DEALERSHIP BUY-SELL ACTIVITY AND BLUE SKY VALUES ARE DECLINING, BUT ARE ELEVATED WELL ABOVE PRE-PANDEMIC LEVELS

Fort Lauderdale, FL. [Haig Partners LLC](#) released its Q2 2024 Haig Report®, the longest-published quarterly report in auto retail tracking industry trends and their impact on dealership values. The auto retail marketplace is evolving from record profits, blue sky values, and dealership sales. Due to several factors, dealership profits declined 32% in the first half of 2024 compared to the same period in 2023. The reduction in profits affects dealership values and the number of dealerships being sold, with smaller declines in both categories. Details are provided below.

The Haig Report®, first released in 2014, celebrates 10 years of consistently reporting reliable, routine quarterly updates on dealership profits, trends within auto retail, and their impacts on dealership values. The Haig Report® has gained a significant following since its first publication, but its goal remains the same: to help dealership buyers and sellers make better, more informed decisions.

Auto dealership buy-sell activity cools in Q2 after a record-setting Q1.

In Q2, an estimated 84 rooftops traded hands, a 48% decline from the first quarter. While a steep drop, it is important to note that Q1 2024 was the busiest quarter on record for dealership buy-sells. Transaction volume for the first six months of the year is only down 14.5% from the same period in 2023. The market remains busy, with a sustained appetite for strong franchises in attractive markets. We predict this year will rank as the fourth busiest year for U.S. dealership buy-sells in automotive history.

Dealership profits declined 32% in the first 6 months of 2024.

In Q2 2024, we estimate that the average dealership owned by public retailers made \$1.0M in pre-tax income, a 35% decline from Q2 2023. Over the last twelve months ("LTM"), the average publicly owned dealership made \$4.5M in pre-tax income, a 27% decrease from 2023 and a 33% drop from 2022, the peak year when the average dealership owned by the publics made an estimated \$6.7M in pre-tax income. If we take the first six months and annualize them (meaning we double them), dealerships made \$4.0M in pre-tax income, a decline of 25.5%. Looking ahead, we believe that average store profits will continue to decline for the remainder of 2024, but at a slower pace.

Blue sky values continue to decline but remain elevated.

According to our analysis, the estimated average blue sky value of a publicly owned dealership was \$21.8M in Q2 2024. This value represents an 11% reduction from the blue sky value observed at the end of 2023, which we now perceive as the peak of the market. We would have expected a bigger decline by now, but earnings for most brands remain well above pre-pandemic levels.

Sellers have enjoyed exceptional times recently. More than five large dealership groups traded hands for more than a billion dollars over the past few years. And record high values were paid for many franchises. Haig Partners was proud to play a key role in many of these precedent-setting transactions. For our clients, 2023 kicked off with the [sale of Lake Norman CDJR](#), which set the record for the highest value ever paid for a Stellantis franchise. In June 2023, the [sale of Al Hendrickson Toyota](#) to Morgan Automotive Group set the record for the highest amount paid for a single dealership, regardless of



franchise, at the time of the sale. We believe the price paid remains the [highest ever for a Toyota franchise](#). Earlier in 2024, we set more records. The [sale of South Motors Honda and Vista Motors BMW](#) in January claimed the title for most ever paid for those franchises. In June 2024, we advised on the [sale of Hollywood Kia](#), which claimed the record for the most ever paid for a Kia franchise. Other franchises also attracted record-setting prices. The purchase of Ussery Motors (Mercedes-Benz of Coral Gables) is believed to be the most blue sky ever paid for a single dealership, reportedly at over \$300M.

The market is now shifting. We are still selling many dealerships for strong prices, particularly brands like Toyota, Honda and German luxury. However, many dealership groups are now engaging us to assist them in divesting dealerships that no longer make sense for them. These divestitures include sales of stores that produce little income or are losing money, as well as dealerships located in outlying areas from the owners' core markets. Larger dealers tell us they do best with higher volume stores in bigger markets where they have more people and infrastructure. These divestitures are providing an opportunity for smaller dealers to grow through acquisitions.

Key takeaways from the [Q2 2024 Haig Report®](#) include:

- **The average publicly owned dealership made an estimated \$1.0M in pre-tax income in Q2 2024, a 35% decline from Q2 2023.**
- **An estimated 84 dealerships were bought or sold in Q2 2024. For the year, the market is on track to decline 11% from 2023.**
- **Public company acquisitions slowed, as they instead divested underperforming assets. Public auto retailer spending on domestic auto dealerships was down 94% from Q1 2024. Lithia was the only active buyer, spending \$79M on U.S. franchised dealership acquisitions.**
- **Average estimated blue sky values remained at elevated levels in LTM Q2 2024, down 11% as observed at the end of 2023, but still more than double pre-pandemic times.**

[Alan Haig](#), President of [Haig Partners](#), shared, "We are leaving a period in auto retail where conditions were almost too good to be true. Profits at dealerships more than tripled from 2019 to 2022 thanks to high gross profits on new vehicles and low expenses. Today, gross profits on new vehicles are declining and expenses have risen. The good news? Average profits are still about double what they were before the pandemic.

"In terms of the buy-sell environment, the last three-and-a-half years have been boom times. We have seen well over 2,000 dealerships trade hands, about double the normal rate of buy-sells. The large public company acquisitions get a lot of headlines, but by far the biggest part of the market are family-owned groups that are handing over some of their savings to other family-owned groups that have chosen to exit the industry at record-high prices.

"Just like profits at auto retail, however, we are beginning to see a slight slowdown in buy-sells. At the current rate of buy-sells, 2024 will be the fourth most active year in buy-sells with around 500 stores sold, which is still 49% higher than the average number of stores that sold from 2016-2019. The types of transactions, and the values of dealerships, are also evolving from the boom times.



“We have had the good fortune to have been involved in setting record high prices for franchises such as BMW, CDJR, Honda, Kia and Toyota over the past two years. And we are still seeing strong prices for these brands, but they are coming to market in smaller numbers, perhaps as prices decline a bit. Where our practice has dramatically expanded is on the divestiture side. We have been engaged to sell over 30 dealerships owned by several groups, public and private. These are stores that are no longer a good fit for their owners. They may be losing money, weak brands, or no longer fit geographically. Dealerships that remain nicely profitable are selling for a little less today than they were at the end of 2023, a reflection of their reduced profitability.

“We know that many dealers who wanted to grow were sitting on the sidelines over the past few years as they waited for prices to fall. Now is the time to get up!”

Q2 2024 Haig Report® Highlights

- **Franchise valuation ranges and takeaways.** Haig Partners reports no changes to franchise multiples for Q2 2024.
- **The Fed will begin to reduce rates to keep employment strong.** Back in 2022, the Fed announced a strategy that involved raising rates to reduce the rapid inflation that occurred during the pandemic. While this strategy coincided with a reduction in inflation rates, the rates reached over the past few years have begun suppressing the labor market.
- **Inventory levels reach dangerous heights for many franchises.** The CDK outage created a degree of havoc with auto sales, as many dealers had a difficult time processing deals. The situation largely rectified itself in July, when dealers were able to book deals that occurred in June. At the end of July, the average days' supply of new vehicle inventory was 68, a 43% drop from June, according to Cox Automotive. Despite this big improvement, inventory levels for many franchises are at dangerous levels.
- **Industry sales stagnated in Q2.** New vehicle sales in Q2 2024 were 0.7% lower than Q2 last year, with a wide spectrum of sales performance at the franchise level. In a continued trend from Q1, franchises that have recently been plagued by production challenges saw sales increase the most, whereas franchises with readily available inventory saw sales slip the most.

Volkswagen (+30.8%), JLR (+20.8%) and Lincoln (+18.9%) experienced the greatest lift in sales, while Stellantis (-20.5%), Acura (-16.3%) and Infiniti (-14.6%) saw sales decrease the most. There is some noise in Q2 due to the CDK outage.

Our practice remains very busy. We are excited to be advising owners of strong-performing franchises like Honda and Toyota. The values for those dealerships have changed very little since the peak in 2023. And we are pleased to assist large dealer groups that are divesting dealerships to focus on their core assets. The rest of 2024 should bring a robust market for dealers with budgets big and small looking to grow.



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 powersports 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 585 dealerships with a total value of over \$11 billion. It has represented 29 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 <https://www.haigpartners.com>.

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