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US Dealer Groups Show Strong F&I Profits in Q4 2022



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The prospect of rising interest rates in 2023 could affect the finance and insurance businesses of publicly traded franchised dealership groups.

Six publicly-traded franchised auto retailers might be experiencing a leveling off in their finance-and-insurance gross profit per vehicle after several quarters of growth.

Two of the six public companies posted slight declines in same-store F&I gross profit per vehicle in the fourth quarter. Asbury Automotive Group Inc. posted a double-digit percentage increase.



A total of five of the six companies, except Sonic Automotive Inc., saw their results fall when compared to Q3, while Lithia Motors Inc. said that higher interest rates in 2023 will impact its F&I gross profit.

However, all of the retailers — with the exception of Penske Automotive Group Inc. — generated more than \$2,100 in same-store F&I profit per vehicle in the fourth quarter, and all six made at least \$500 more than they had in the fourth quarter of 2019, prior to COVID-19 outbreak.

The auto retail industry has seen F&I performance soften since automotive interest rates began to rise in November 2021. The average dealer margin on financed deals fell 16 percent to \$646 between November 2021 and January 2023, while the average number of products sold per deal fell 4 percent, from 1.58 to 1.51.

| | Average F&I Gross Profit per Vehicle Retailed | | |
|------------|---|--------------|--------|
| | Q4 2022 | Q4 2021 | Change |
| Asbury | \$ 2,233.00 | \$ 1,991.00 | 12.0% |
| Penske | \$ 1,881.00 | \$ 1,1943.00 | -3.2% |
| Group 1 | \$ 2,385.00 | \$ 2,333.00 | 2.2% |
| AutoNation | \$ 2,704.00 | \$ 2,680.00 | 0.9% |
| Sonic | \$ 2,431.00 | \$ 2,349.00 | 3.5% |
| Lithia | \$ 2,117.00 | \$ 2,121.00 | -0.2% |

Absury - Despite a 12 percent increase in fourth-quarter profit, Asbury's same-store F&I profit per vehicle was down 0.9 percent from the third quarter.

Penske - For Q4, Penske's same-store F&I gross profit per unit was \$1,881, down 3.2% from Q3 and down 2.1% from Q4. However, when adjusted for foreign exchange, Penske's F&I profit per vehicle would have increased by \$1,976.

Group 1 - The average same-store F&I gross profit per vehicle retailed in the U.S. for Group 1 Automotive Inc. was \$2,385 in the fourth quarter, up 2.2 percent from a year earlier but down 3.7 percent from the previous quarter.

AutoNation - In the fourth quarter, AutoNation posted a \$2,704 same-store gross profit per vehicle, up 0.9 percent from a year earlier, but down 2.3 percent from the

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third. CIG Financial was purchased by AutoNation for \$83 million during the quarter. It now serves as AutoNation's captive finance arm.

Sonic - According to Sonic's franchised dealerships, same-store F&I gross profit per vehicle rose 3.5 percent from a year earlier and 1 percent from the third quarter to \$2,431 in the fourth quarter.

Lithia - According to Lithia, same-store F&I gross profit per vehicle was \$2,117 in the fourth quarter, down 0.2 percent from a year earlier.