



OPERATIONAL EXCELLENCE IN A SHIFTING LANDSCAPE:
What Top Dealers Are Doing Differently



WHAT IS THE COST OF DOING BUSINESS (CODB) STUDY?



HISTORY & METHODOLOGY

- Cost of Doing Business Study, since 2005
- About May 1st, Canada and USA dealerships are invited to submit their year-end financials
- CODB report produced September-October
- More dealerships reporting, the better the report



MULTIPLE CODB REPORTS

- OPE, Outdoor Power Equipment
- Ag - Company Volume
- Ag - Canada
- Ag - USA
- Ag - North America



A FEW THINGS TO NOTE



- Averages are on a *per-location* basis
- Canadian data converted to \$US for apples-to-apples comparison
- 2025 reports from 2024 data
- 2024 reports from 2023 data, and so on...

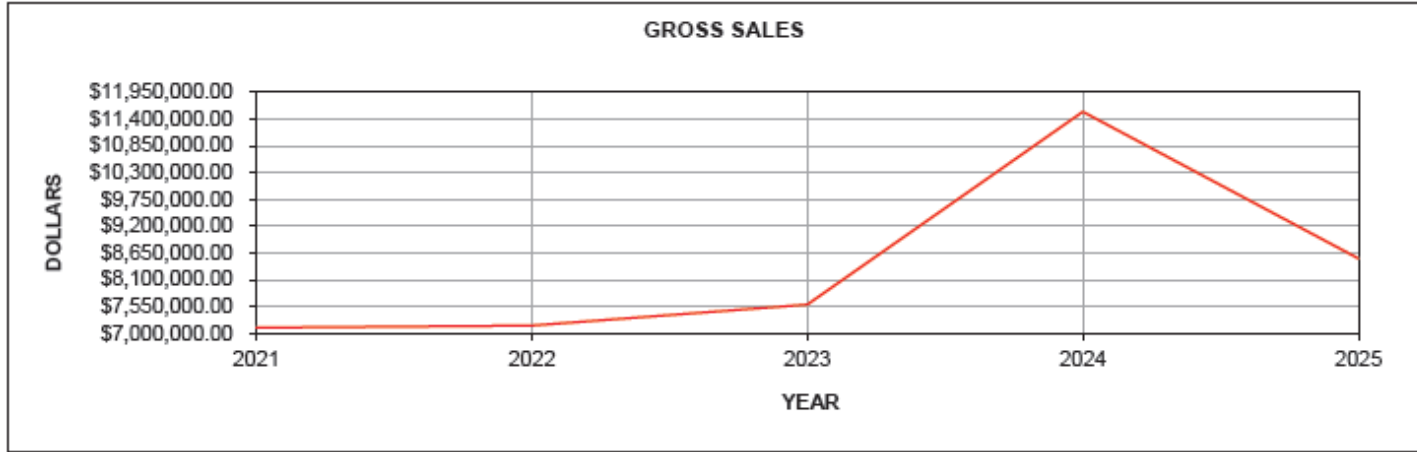
REPORT 2025 AND 2024 DATA

**OUTDOOR POWER EQUIPMENT DEALERS
2025 COST OF DOING BUSINESS SURVEY
INCOME STATEMENT**

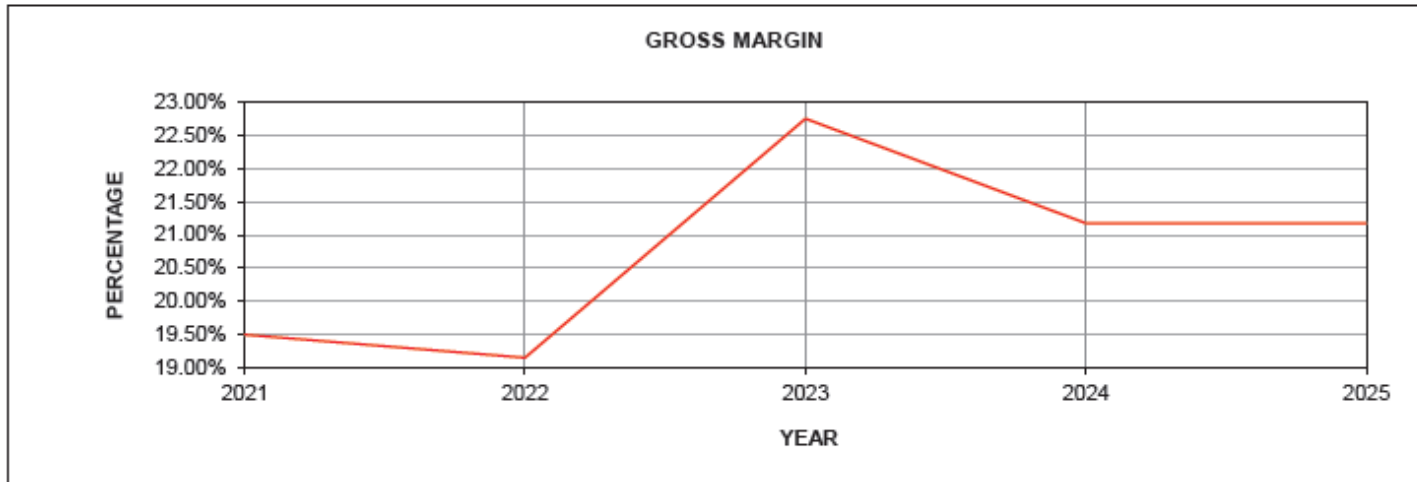
	OPE DEALERS		OPE DEALERS	
	2025	% Mix	2024	% Mix
SALES:				
New Whole Goods	6,375,930	74.67%	7,197,980	62.33%
Used Whole Goods	390,050	4.57%	848,180	7.34%
Parts & Accessories	1,115,420	13.06%	2,586,300	22.39%
Service	524,490	6.14%	733,710	6.35%
Rental	85,580	1.00%	59,120	0.51%
Freight	2,050	0.02%	2,730	0.02%
Delivery	18,980	0.22%	6,330	0.05%
Warranty	8,810	0.10%	80,020	0.69%
Outside Labor	2,410	0.03%	1,080	0.01%
Cash/Volume Discounts	15,430	0.18%	33,250	0.29%
Total Sales	8,539,150	100.00%	11,548,700	100.00%
GROSS MARGIN:				
New Whole Goods	1,121,870	17.60%	762,370	10.59%
Used Whole Goods	27,870	7.15%	105,480	12.44%
Parts & Accessories	259,910	23.30%	1,026,560	39.69%
Service	314,130	59.89%	431,650	58.83%
Rental	50,030	58.46%	(290)	-0.49%
Freight	2,050	100.00%	2,730	100.00%
Delivery	8,010	42.20%	3,430	54.19%
Warranty	8,810	100.00%	80,020	100.00%
Outside Labor	(10)	-0.41%	240	22.22%
Cash/Volume Discounts	15,430	100.00%	33,250	100.00%
Total Gross Margin	1,808,100	21.17%	2,445,440	21.18%
EXPENSE:				
Officers' & Owners Salaries	62,270	0.73%	49,030	0.42%
Managers' Salaries	17,290	0.20%	83,770	0.73%
Sales Salaries	99,630	1.17%	243,130	2.11%
Parts Salaries	22,630	0.27%	85,310	0.74%
Service Administrative Salaries	55,800	0.65%	146,070	1.26%
Office Salaries	169,280	1.98%	69,950	0.61%
Bonuses Paid	1,670	0.02%	52,770	0.46%
Vacation & Holiday Wages	-	0.00%	-	0.00%
Other Salaries	338,640	3.97%	134,710	1.17%
Total Employee Salaries	767,210	8.98%	864,740	7.49%

- Balance Sheet
- Income Statement
- Head Count
- Asset Ratios
- Sales Ratios
- Turnovers
- Financial Indicators
- Productivity Indicators
- Gross Margin by Dept

5 YEAR SALES AND MARGIN CHART



	2021	2022	2023	2024	2025
OPE DEALERS	\$ 7,119,698.64	\$ 7,164,840.00	\$ 7,591,490.00	\$ 11,548,700.00	\$ 8,539,150.00



	2021	2022	2023	2024	2025
OPE DEALERS	19.50%	19.15%	22.75%	21.18%	21.17%

15 CHARTS WITH 5 YEAR HISTORY

- Inventory to Total Assets
- Current Assets
- Net Worth
- Gross Sales
- Gross Margin
- Sales Production
- Operating Expenses
- Gross Margin/Employee
- Absorption
- Sales Production
- Parts Production
- Current Ratio
- Quick Ratio
- Debt to Equity
- Return on Assets
- Return on Equity

CODB Value: Dealership and Industry

Association

- Help enact the floor plan interest and other tax regulations
- Set industry benchmarks
- Help value businesses for mergers/acquisitions
- Assists NAEDA trainers designing industry training courses

Dealership

- Compare to others
- Estate planning
- Measure against industry targets
- Historical comparisons
- Track dealership mergers and acquisitions

WHO PRODUCES CODB REPORT



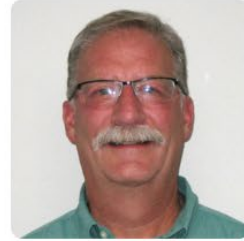
Curt Kleoppel, CPA, CVA
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**Lonnie Finch, CPA,
CVA**
Accountant



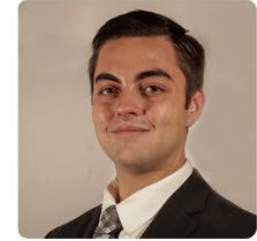
Whitney Kohler, CPA
Accountant



Jeff Overbey, CPA
Accountant



Amy Brandt, CPA
Accountant & taxes



Mike Murteza, CPA
Accountant



**Mutsa Majee-
Manyenga, CPA**
Accountant



Bridget Staker
Accountant & taxes

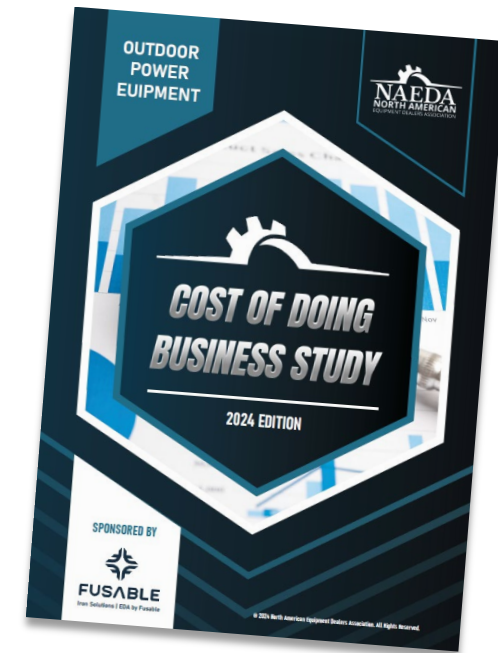
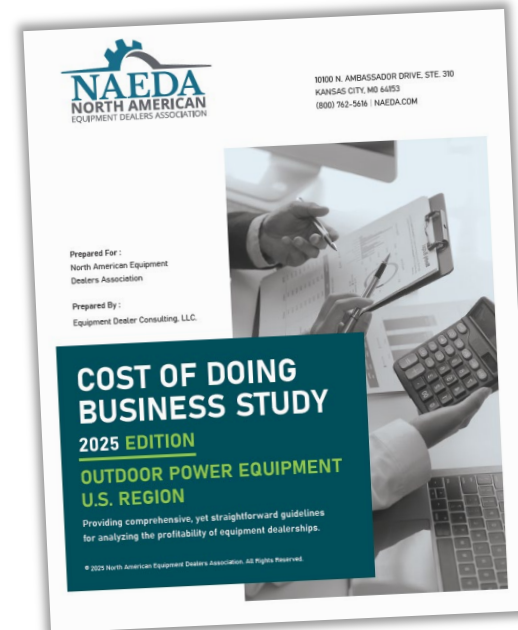


**EQUIPMENT
DEALER
CONSULTING, LLC.**

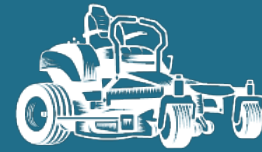
Accounting Firm for Equipment Dealers

RECEIVING THE CODB REPORT

- **No fee** for dealerships that submit financials
- A fee for non-participating dealerships to purchase the report from NAEDA



ANALYSIS OF THE 2025 OUTDOOR POWER EQUIPMENT REPORT



STORE REVENUE SALES MIX

	2025	2024	2023	2022	Target	Allowable Target
Wholegoods	79.2%	69.7%	76.7%	78.7%	70%	75%
Parts	13.1%	22.4%	15.1%	15.1%	+20%	16.5%
Service	6.1%	6.3%	4.8%	2.7%	+10%	8.5%

WHOLEGOODS SALES (000'S)

	2025	% from 2024	2024	2023	2022
New Wholegoods	\$6,376	-12%	\$7,198	\$5,498	\$5,355
Used Wholegoods	\$390	-54%	\$848	\$326	\$284
Total Wholegoods	\$6,766	-16%	\$8,046	\$5,824	\$5,639

WHOLEGOODS SALES (000'S)

	2025	2024	2023	2022
New Wholegoods	\$6,376	\$7,198	\$5,498	\$5,355
Used Wholegoods	\$390	\$848	\$326	\$284
New to Used Ratio	94%-6%	89%-11%	94%-6%	95%-5%
Total Wholegoods	\$6,766	\$8,046	\$5,824	\$5,639

What is a healthy new to used ratio?

WHOLEGOODS GROSS MARGINS

	New Equip GM		Used Equip GM		Combined GM	
2025	\$1,122,000	17.6%	\$28,000	7.2%	\$1,150,000	17.0%
2024	\$762,000	10.6%	\$105,000	12.4%	\$867,000	10.8%
2023	\$831,000	15.1%	\$62,000	19.0%	\$893,000	15.3%
2022	\$699,000	13.0%	\$41,000	14.6%	\$740,000	13.1%

Industry Target: +4% above wholegoods department expenses

WHOLEGOODS INVENTORY DOLLARS

<u>Inventory</u>	2025	2024	2023	2022
New Wholegoods	\$2,719	\$3,732	\$2,274	\$1,177
Used Wholegoods	\$193	\$462	\$108	\$155
Total Wholegoods	\$2,912	\$4,194	\$2,382	\$1,332

Turnover Metric Trends

Parts and Wholegoods Inventory Turnover

Asset Turnover

2025	1.5
2024	2.1
2023	2.3
2022	2.6

Asset Turnover Target +3.0x

Inventory Turnover

2025	1.6
2024	2.4
2023	2.7
2022	3.3

Inventory Turnover Target +3.0x

Wholegoods Interest

	Interest Dollars	% of WHG's Gross Margin
2025	\$43,000	3.7%
2024	\$80,000	9.2%
2023	\$31,000	3.5%

Target <10%. Is 10% too much?
Charge interest on paid inventory?

WHOLEGOODS INVENTORIES AS % OF ASSETS

	New Equipment		Used Equipment		Total New & Used	
	<i>% of Total Assets</i>					
2025	\$2,719,000	62.2%	\$193,000	4.4%	\$2,912,000	66.6%
2024	\$3,732,000	50.9%	\$462,000	6.3%	\$4,194,000	57.2%
2023	\$2,274,000	59.6%	\$109,000	2.8%	\$2,383,000	62.4%
2022	\$1,177,000	44.2%	\$156,000	5.8%	\$1,333,000	50.0%

Target: Wholegoods inventories <60% of total assets

PARTS, SERVICE, LOCATION SALES (000'S)

	2025	% from 2024	2024	2023	2022
Parts	\$1,115	-56%	\$2,586	\$1,146	\$1,084
Service	\$524	-29%	\$734	\$365	\$196
Total Location	\$8,539	-26%	\$11,549	\$7,591	\$7,165

PARTS INVENTORIES TO SALES

	2025	2024	2023	2022
Parts Sales	\$1,115	\$2,586	\$1,146	\$1,084
Parts Inventories	\$385	\$787	\$174	\$376
Parts Turnover	2.2x	2.0x	3.9x	1.9x

PARTS MARGINS (000's)

	2025	2024	2023	2022
Parts Sales	\$1,115	\$2,586	\$1,146	\$1,084
Parts Margin	23.3%	39.7%	40.5%	34.0%
Parts Margin Dollars	\$260,000	\$1,027,000	\$464,000	\$368,000

SERVICE SALES AND MARGIN

	2025	2024	2023	2022
Service Sales	\$524,000	\$734,000	\$365,000	\$196,000
Service Margin	59.9%	58.8%	37.3%	13.8%
Service Margin Dollars	\$314,000	\$432,000	\$136,000	\$27,000

EXPENSES AS % OF SALES

	Total Expenses	Expenses as % of Revenue
2025	\$1,584,000	18.6%
2024	\$2,093,000	18.1%
2023	\$1,485,000	19.6%
2022	\$1,181,000	16.5%

Total Expenses Target <17.5%

NET INCOME FROM OPERATIONS

	Store GM %	Store Expense	Net Income	Net Income Dollars
2025	21.2%	18.6%	2.6%	\$224,000
2024	21.2%	18.1%	3.1%	\$352,000
2023	22.8%	19.6%	3.2%	\$242,000
2022	19.2%	16.5%	2.7%	\$191,000

Operations Profit Target +3%, +4.5%, +5%

Targets			
Gross Margin	21.5%	22%	22.5%
Expenses	16.5%	17%	17.5%
Net Income Target	5%	5%	5%

DEBT TO EQUITY

	Debt to Equity
2025	1.5
2024	3.5
2023	2.1
2022	3.0

A high Debt to Equity ratio can lead to a high Return on Equity rate, with a relatively low-income level

It also means cash can be tight at times during the business cycle

Debt to Equity Target 3.0 or less

DEALERSHIP EQUITY

	Equity	<i>Equity as % of Total Assets</i>
2025	\$1,740,000	39.8%
2024	\$1,622,000	22.1%
2023	\$1,247,000	32.7%
2022	\$666,000	25.0%

Target :
Equity 30%, 40%
of total assets

THE RETURN'S

Return on Assets	
2025	4.7%
2024	7.8%
2023	8.6%
2022	11.2%

Return on Equity	
2025	16.4%
2024	30.2%
2023	29.3%
2022	50.3%

ROA Target +6%, +10%

ROE Target +20%, +30%

EMPLOYEE AVERAGE

	Employees	Total Store Revenue	Revenue/Employee
2025	15.0	\$8,539,000	\$569,000
2024	18.6	\$11,549,000	\$621,000
2023	15.4	\$7,591,000	\$493,000
2022	14.3	\$7,165,000	\$501,000

Revenue/Employee Target: Depends on gross margin being earned on revenues

GROSS MARGIN PER EMPLOYEE (000'S)

	Head Count	Margin / Employee
2025	15.0	\$120,000
2024	18.6	\$131,000
2023	15.4	\$112,000
2022	14.3	\$96,000

**Gross Margin/
Employee Target
\$135,000
based on current
expense dollars**

How Much Does Our Team Cost ?

	2025	2024	2023	2022
All Wages	\$767,000	\$865,000	\$784,000	\$624,000
Store Gross Margin	\$1,808,000	\$2,445,000	\$1,727,000	\$1,372,000
% of Gross Margin	42%	35%	49%	46%

Wages as % of Store Gross Margin

Target <40%

Cost To Be In Our Building

	2025	2024	2023	2022
Rent, Taxes Utilities, Repair	\$170,000	\$211,000	\$162,000	\$140,000
Store Gross Margin	\$1,808,000	\$2,445,000	\$1,727,000	\$1,372,000
% of Gross Margin	9.4%	8.6%	9.4%	10.2%

Occupancy as % of Store Gross Margin

Target <10%

Occupancy and Wages as % of Store GM

	2025	2024	2023	2022	Target
Rent, Taxes Utilities, Repair	9.4%	8.6%	9.4%	10.2%	<10%
Wages	42%	36%	49%	46%	<40%
Combined use of Gross Margin	51.4%	44.6%	58.4%	56.2%	<50%

PARTS & SERVICE ABSORPTION

Absorption: measuring parts and service gross margin dollars' ability to pay all the dealership's expenses

	2025	2024	2023	2022
Parts	16.4%	49.0%	31.3%	31.2%
Service	19.8%	20.6%	9.2%	2.3%
Combined Total	36.2%	69.3%	40.5%	33.5%

Absorption Target +80%



QUESTIONS & ANSWERS

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