

MEASURING UP:

See How Your Expenses and Margins Stack Up

By Dave Kanicki, Executive Editor

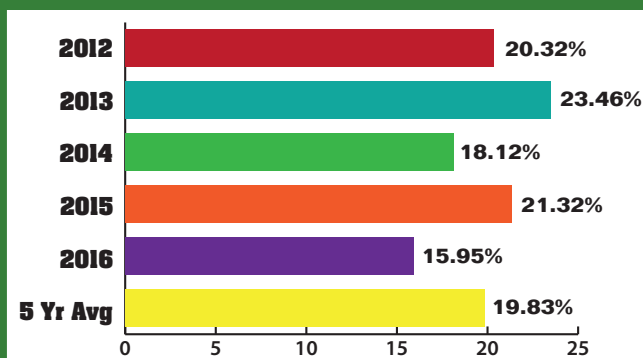
See how your dealership compares with other dealerships in terms of interest, expenses and margins, as reported in the United Equipment Dealers Assn.'s Cost of Doing Business Study.

Interest & Total Expenses

Total expenses through the 5 years studied ranged from a high of 23.5% in 2013, the first year of the downturn, to a low of 15.95% in 2016, easily the year when dealers saw their largest gain in revenues. Over the course of the period, total expenses averaged 19.8%. (See the accompanying charts, "OPE Total Expense — 2012-2016" and "OPE Total Interest Expense — 2012-2016")

Expenses associated with salaries and benefits, as dealers have come to expect, represent the single highest expense in any given year: Ranging from 12.9% in 2013, the first year of the sales downturn, to less than 8.5% as the indus-

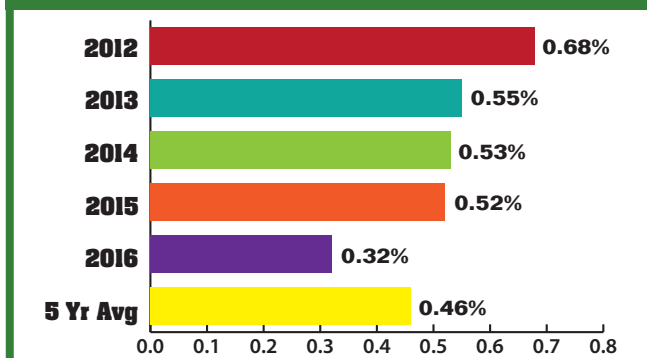
OPE Total Expenses — 2012-16



Controlling expenses during the ups and downs of the past 5 years demonstrated good dealer discipline.

2012	2013	2014	2015	2016	5 Yr Avg
\$674,057	\$673,175	\$515,934	\$711,055	\$691,562	\$653,156

OPE Total Interest Expense — 2012-16



With the downturn in sales, starting in 2013, dealers consistently reduced their interest expenses.

2012	2013	2014	2015	2016	5 Yr Avg
\$22,514	\$15,784	\$14,972	\$17,251	\$14,005	\$15,409

try entered full recovery mode. On average, total salaries and benefits were 10.9% during the period.

Interest expense, which includes floorplan costs, can reflect the rate of inventory turnover, among other things. In 2012, dealers incurred the highest level of interest expense at 0.68%, which was more than halved (0.32%) by the time the sales recovery was in full swing, as recorded in the 2016 study.

Gross Margins

Through the first 4 years of the 5 years considered in this report, gross margins ranged from 21-25%. But in the 2016 study, margins saw a significant decline to 17.5%.

By revenue segment, gross margins on new wholegoods averaged almost 12%, ranging from 16.6% in 2013 and then bouncing around to 11.4% in 2014, 13.4% in 2015 and hitting a low point in 2016 at 8.9%. Used wholegood gross margins saw a wider range during the 5 years, finally averaging at 17.2%. (See the accompanying chart, "OPE Gross Margins — 2012-2016.")

Margins on parts and accessories showed some erratic results during the years considered, but levels between 2014-16 averaged 34.3%. Gross margins on service activities showed some irregular trends as well, but over the 5-year period, service margins averaged 56.1%, which would be considered reasonable and healthy.

