

## 2025 Buy Here-Pay Here Financial Benchmarks

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## Buy Here-Pay Here Market Trends

2025 was a recovery year as dealers adjusted their model to deal with high consumer defaults due to inflation, significant uncertainty in the capital markets and increased operating expenses. Dealers who made the necessary adjustments started to see profitability in 2025 and the benchmark results do show some significant improvements.

Inventory prices did increase as reflected in the benchmarks. As dealers focus on affordable and reliable transportation, certain price points see significant competition driving up prices. We also saw more dealers buying more front-line ready vehicles as parts pricing and shortages continue to plague the reconditioning department.

Bad debt expense finally showed signs of improvement, dropping from 28% of sales to 25% of sales. Still higher than historical averages, but heading in the right direction. Dealers focused on providing more affordable vehicles with shorter terms and lower monthly payments. Many dealers' portfolios declined in size as dealers tightened underwriting, doing less deals but hopefully with lower defaults. Improved bad debt expense also allowed dealers to lower their average allowance for credit losses (CECL) from 20% of the portfolio to 19% of the portfolio.

While operating expenses did decline from 19% of sales in 2024 to 18% of sales in 2025, we see that this is a result of dealers cutting expenses they can control, as other expenses outside of their control continued to increase. Dealers cut advertising, outside services, repairs and maintenance and salaries trying to control costs as utilities and software costs continued to increase.

Finance income held steady for 2025 at 20% of sales as portfolios shrunk but bad debts improved.

Unfortunately, the greatest threat facing the industry right now is the number of lenders leaving the space. After multiple bankruptcies by dealers and private lenders, banks are hesitant to loan to new dealers and are keeping their existing dealers on a tight leash. We also noted an increasing number of dealers using their real estate to obtain loans for the BPHH business rather than their portfolio. Tough capital markets do force dealers to lower the debt levels, which in this environment is probably a good idea.

2026 is off to a good start, with strong sales demand and controlled bad debts. However, with oil prices surging and general uncertainty in the economy, the road to recovery for consumers and dealers remains tough.

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\* The financial information presented represents a composite of some of the best performing operators in the industry and not an average of the entire industry. SGC has tracked the financial performance of these operators for multiple years to make the year over year numbers comparable.

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**Income Statement - 2025**

	<b>Best Dealer Benchmark 2025</b>	<b>Best Dealer Benchmark 2024</b>	<b>Best Dealer Benchmark 2023</b>
<b>Vehicle sales</b>	100%	100%	100%
<b>Cost of vehicle sales</b>	-69%	-67%	-67%
<b>Gross profit before bad debt and financing income</b>	<b>31%</b>	<b>33%</b>	<b>33%</b>
<b>Bad debt expense</b>	-25%	-28%	-24%
<b>Financing income</b>	20%	20%	17%
<b>Gross profit</b>	<b>26%</b>	<b>25%</b>	<b>26%</b>
<b>Operating expense</b>	-18%	-19%	-18%
<b>Operating income</b>	<b>8%</b>	<b>6%</b>	<b>8%</b>
<b>Interest expense</b>	-4%	-4%	-4%
<b>Income before income taxes</b>	<b>4%</b>	<b>2%</b>	<b>4%</b>

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**Cost of Goods Sold and Operating Expense Detail - 2025**

	<b>2025 % of Vehicle Sales</b>	<b>2024 % of Vehicle Sales</b>	<b>2023 % of Vehicle Sales</b>
<b><u>Cost of Vehicle Sales</u></b>			
Cost of vehicles	55.97%	54.20%	55.14%
Reconditioning costs	10.28%	10.32%	9.66%
Other	2.76%	2.48%	2.20%
<b>Total cost of vehicle sales</b>	<b>69.00%</b>	<b>67.00%</b>	<b>67.00%</b>
<b><u>Operating Expense</u></b>			
Advertising	1.74%	2.09%	2.28%
Bank charges	0.39%	0.38%	0.30%
Contributions	0.02%	0.02%	0.03%
Depreciation	0.26%	0.26%	0.20%
Dues and Subscriptions	0.34%	0.28%	0.30%
Insurance	0.58%	0.65%	0.61%
Legal and accounting	0.15%	0.24%	0.14%
Outside services	0.18%	0.31%	0.28%
Office expense	0.55%	0.56%	0.58%
Rent	1.69%	1.75%	1.62%
Repairs and maintenance	0.08%	0.29%	0.35%
Salaries (non-owners)	10.14%	10.46%	9.67%
Taxes - general	0.29%	0.26%	0.25%
Other Operating Expense	0.01%	0.02%	0.03%
Taxes - payroll	0.84%	0.81%	0.75%
Utilities and Telephone	0.46%	0.33%	0.29%
Travel / Training	0.28%	0.27%	0.32%
<b>Total operating expense</b>	<b>18.00%</b>	<b>19.00%</b>	<b>18.00%</b>

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**Ratio Comparisons - 2025**

	<b>2025 Average Benchmark</b>	<b>2024 Average Benchmark</b>	<b>2023 Average Benchmark</b>
<b><u>Combined Balance Sheet Ratios</u></b>			
(Year End Inventory x Days) / Cost of Vehicle Sales	50.60 days	52.55 days	48.23 days
Cost of Vehicle Sales / Average Inventory Dollars	7.16 x	6.89 x	7.54 x
Vehicle Sales / Average Inventory Dollars	10.39 x	10.26 x	11.17 x
Vehicle Sales / Total Assets	0.85 x	0.8 x	0.95 x
Total Assets / Total Liabilities	1.69 x	1.574 x	1.45 x
Allowance for Bad Debts / Finance Receivables*	19%	20%	20%
Total Debt / Total Assets	59%	64%	69%
* Finance receivables is principal before allowance for doubtful accounts			
	<b>2025 Average Benchmark</b>	<b>2024 Average Benchmark</b>	<b>2023 Average Benchmark</b>
<b><u>Combined Income Statement Ratios</u></b>			
Bad Debts / Vehicle Sales	25%	28%	24%
Cost of Vehicle Sales / Vehicle Sales	69%	67%	67%
Gross Profit** / Vehicle Sales	26%	25%	26%
Operating Expense / Vehicle Sales	18%	19%	18%
Interest Expense / Financing Income	20%	20%	24%
Operating Income / Vehicle Sales	8%	6%	8%
Financing Income / Vehicle Sales	20%	20%	17%
Compensation** / Vehicle Sales	10.14%	10.46%	9.67%
Reconditioning Cost / Vehicle Sales	10.3%	10.3%	9.7%

\*\*Gross Profit is net of bad debts and financing income  
x = times