R&CO WEBINAR SERIES FOR AUTO DEALERS

Inventory & Floor Plan: Control the Controllable

Debra Hogan-Jones

Auto Industry Consultant,
Former Automotive Banker,
Founder of Tre Consulting Partners

Tre Consulting
PARTNERS

Adam Rosenfield, CPA

Partner,
Firm Leader: Attest Services Team
at Rosenfield and Co.

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Agenda

- Market Cycles & External Challenges
- Tariffs & OEM Unpredictability
- Management Under Pressure
- Floor Plan Strategy
- Financial And Tax Considerations
- Actionable Next Steps

Market Cycles & External Challenges:
Navigating Market Disruption

The Auto Industry has weathered significant disruption over the years

The Great Depression
Stock Market Crash
1929

1973
OPEC Embargo
Froze Oil Production

Early Recession
Unemployment Down 10.8%
1981

1987
Black Monday
Dow Decreased 508 points

Dot-com Crash
Intangible tech value
2001

2008
The Great Recession
Lehman, AIG, Merrill-Housing

CARS
Cash for Clunkers
2009

2020
COVID-19
No Contact

Tariffs
Cost of doing business
2025

Tre Consulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Market Cycles & External Challenges: **Inventory Locations**

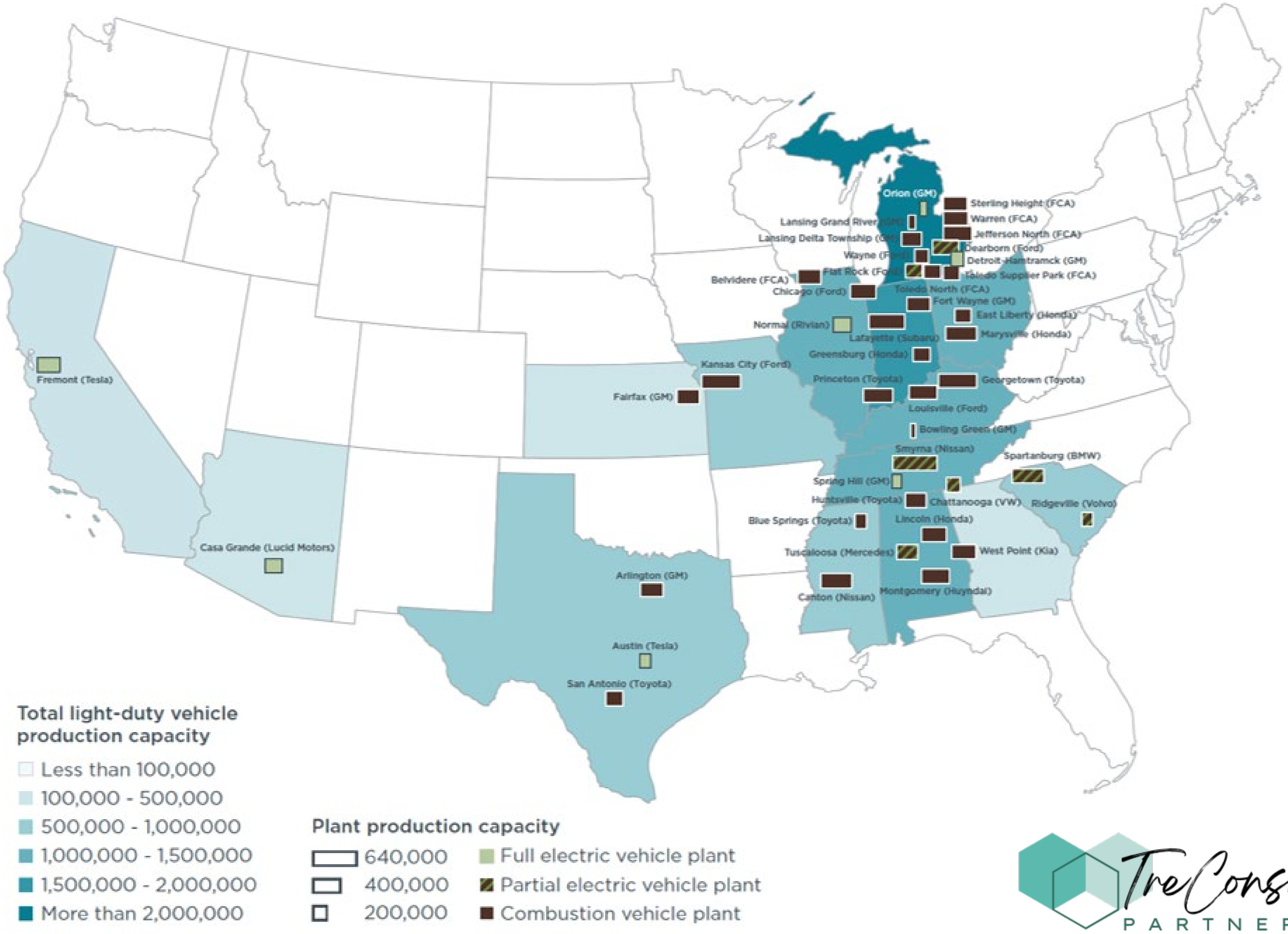


Figure 5. Estimated 2025 U.S. light-duty vehicle production capacity by assembly plant and state.

TreConsulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Tariffs & OEM Unpredictability
External Pressures Continue

Dealers face inconsistent signals from:

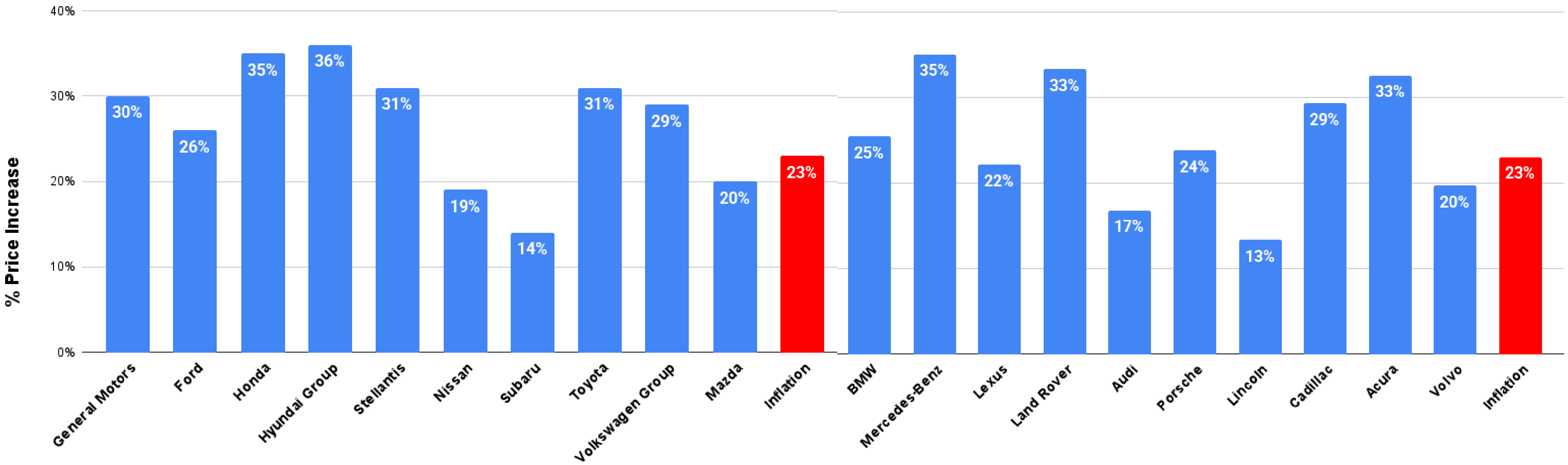
- Tariffs & shifting trade policy
- OEM pricing strategies

TreConsulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Tariffs & OEM Unpredictability
Price Increases 2019-2024

Increase in Average Transaction Price, 2019 - 2024



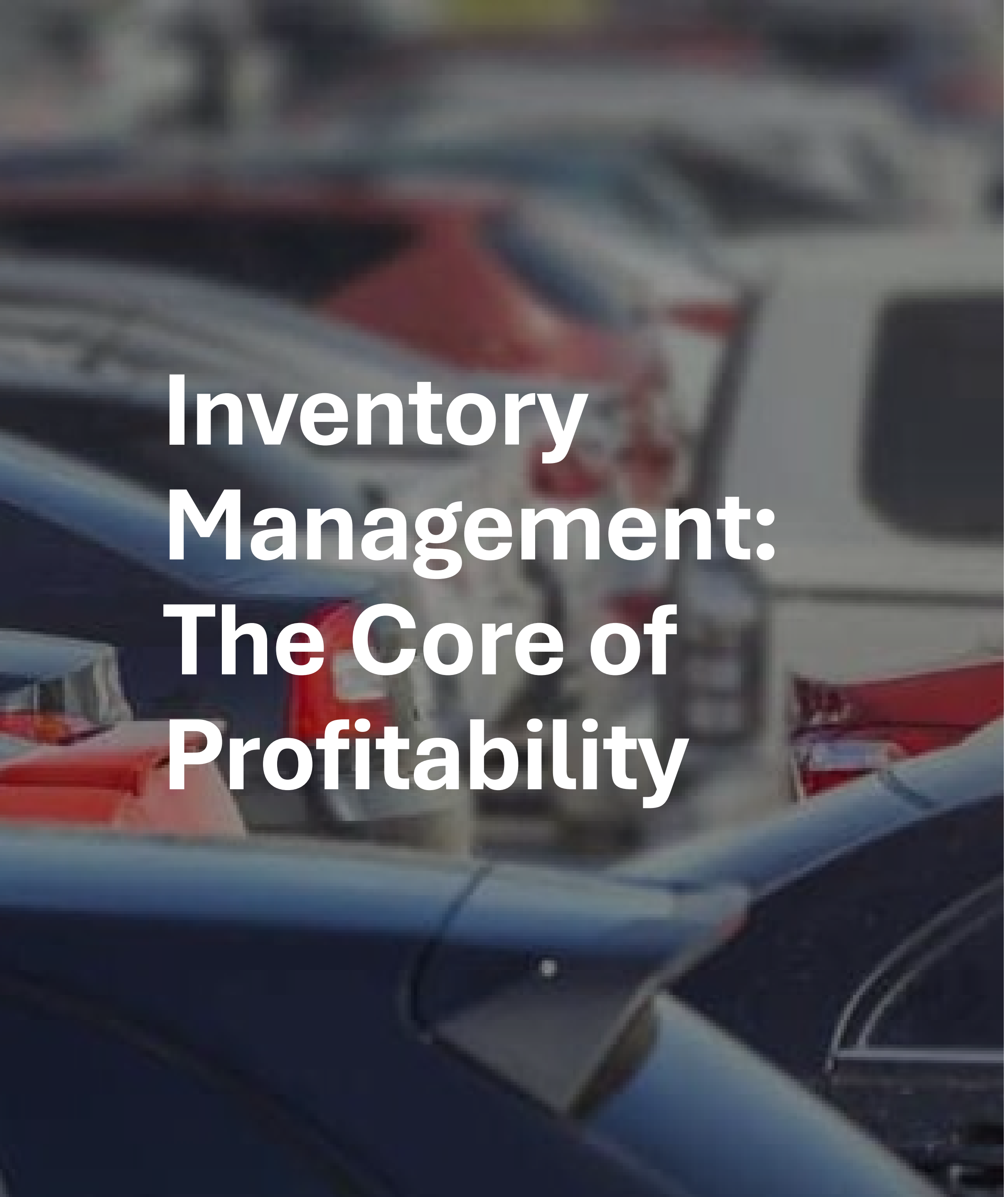
CareerEdge Feb 2025

Management Under Pressure:
Focus on What You Can Control

- Don't overreact emotionally, stay practical
- Take the politics out of business, think rationally
- Tackle one issue at a time
- Build flexible strategies based on regional data
- Prepare for unpredictability as the new normal, be ready to pivot

TreConsulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS



Inventory Management: The Core of Profitability

Inventory flow and aging are critical to margin management

Issues:

- Aging units lose OEM support
- Regional overstock in certain trims
- Floor plan interest erodes profit

Solutions:

- Cap inventory to 60 days or less
- Leverage used inventory to fill holes
- Review Sales Cycle and maintain strong inventory system
- Keep it simple—fancy tech is not required

Tre Consulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Floor Plan Strategy:
Financial Discipline in Action

- Floor plan costs are rising
- Interest rates aren't dropping fast enough
- What Can Be Done?

TreConsulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Financial And Tax Considerations: **What Banks Look For**

Lenders have tightened expectations post-COVID

Issues:

- Declining liquidity
- Violated financial covenants
- Underutilized assets

What Can Be Done:

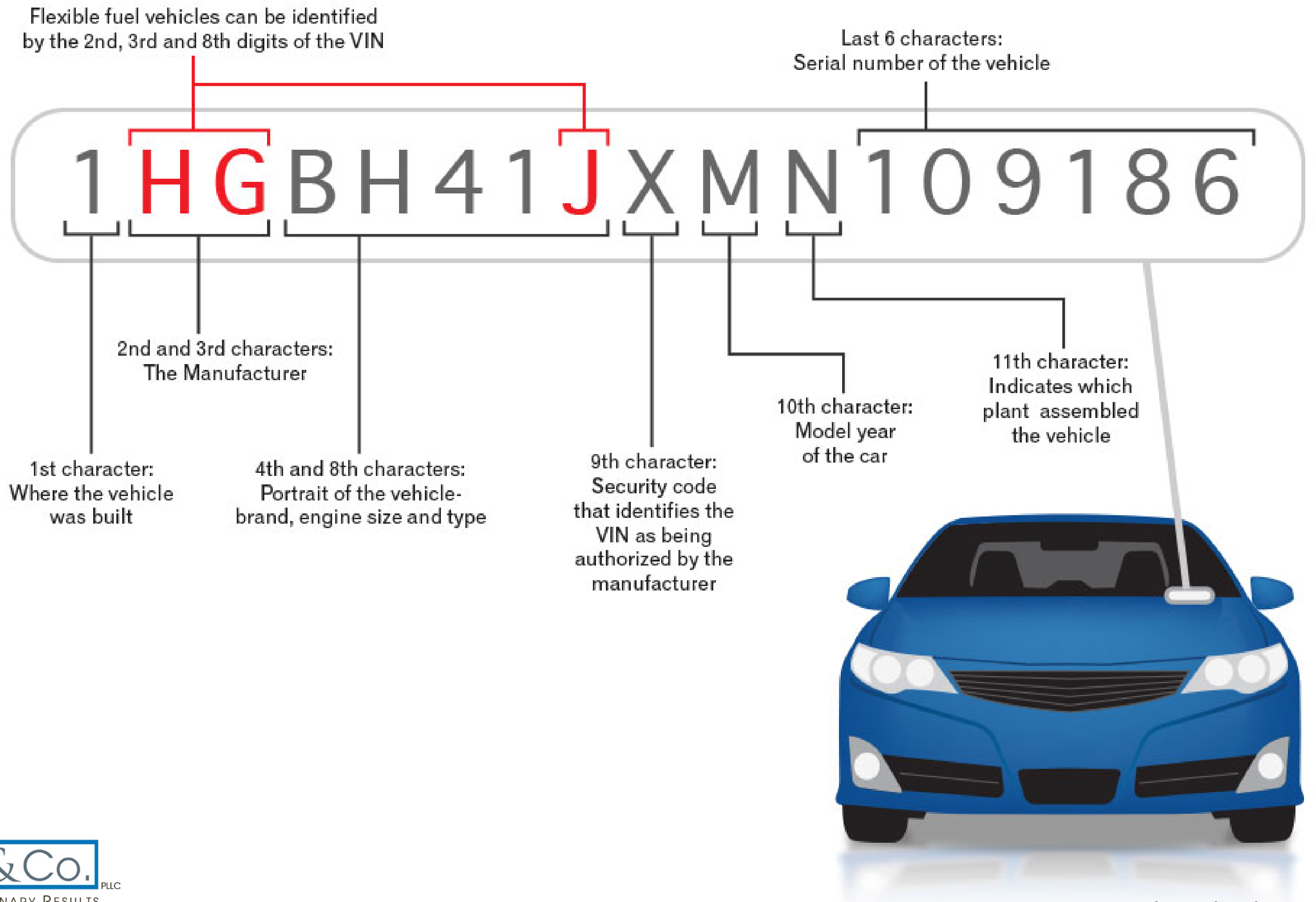
- Monitor key ratios
    - ***Liquidity*** *= Current Assets – Current Liabilities*
    - ***DSCR*** *= Net Operating Income ÷ Debt Service*
    - ***TAE*** *= Trading Equity ÷ Trading Assets*
- Improve RO cycles and expense controls
- Strengthen execution across departments

TreConsulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Financial And Tax Considerations:
Accounting Opportunities

- Review LIFO accounting position
- Use VIN tracking to understand country of origin (tariff impact)
  - Identification of a US Vehicle is a VIN starting with “1”
- Reclassify aged vehicles as company cars for depreciation



Autocheck.com

Actionable Next Steps: **Moving Forward**

- Audit your floor plan and inventory turnover now
- Build flexible systems that work across regions
- Stay nimble and proactive—don't wait for OEM guidance
- Partner with advisors who understand both the financial and tax landscape

Tre Consulting PARTNERS

ROSENFIELD & Co. PLLC
TRADITIONAL VALUES | EXTRAORDINARY RESULTS

Connect With Us

Debra Hogan-Jones
debra@treconsultingpartners.com
treconsultingpartners.com

Adam Rosenfield, CPA
adam@rosenfieldandco.com
rosenfieldandco.com