Group 1 Automotive Inc. (GPI)

Updated March 1st, 2026 by Felix Martinez

Key Metrics

Current Price:	$326	**5 Year CAGR Estimate:**	16.4%	**Market Cap:**	$3.8 B
Fair Value Price:	$496	**5 Year Growth Estimate:**	6.5%	**Ex-Dividend Date:**	03/02/26
% Fair Value:	66%	**5 Year Valuation Multiple Estimate:**	8.8%	**Dividend Payment Date:**	03/16/26
Dividend Yield:	0.7%	**5 Year Price Target**	$680	**Years Of Dividend Growth:**	6
Dividend Risk Score:	B	**Sector:**	Consumer Discretionary	**Rating:**	Buy

Overview & Current Events

Group 1 Automotive, Inc., founded in 1997 and headquartered in Houston, Texas, is a leading global automotive retailer. The company operates over 263 dealerships and 44 collision centers across the U.S. and U.K., offering new and used vehicle sales, financing, maintenance, repair services, and parts. With more than 13,000 employees, Group 1 Automotive is a Fortune 250 company and the fourth-largest automotive retailer in the United States. Tt has a market capitalization of approximately $3.8 billion and maintains a consistent dividend history, most recently declaring a quarterly dividend of $0.55 per share, reflecting a steady dividend growth history of 6 years.

On January 29th, 2026, the company announced fourth-quarter results. The company reported mixed fourth-quarter 2025 results, with revenue increasing 0.6% year over year to $5.6 billion, while profitability declined due primarily to $68.2 million in non-cash asset impairment charges. Net income from continuing operations fell to $43.0 million, compared to $94.6 million in the prior-year quarter, and diluted EPS declined to $3.47. However, adjusted EPS reached $8.49, reflecting underlying operating performance excluding impairment impacts. Growth in parts and service gross profit (+6.3%) and finance & insurance revenue (+1.9%) partially offset weaker new-vehicle margins and lower gross profit per unit.

For full-year 2025, Group 1 delivered record revenue of $22.6 billion, up 13.2%, and record gross profit of $3.6 billion (+11.8%), supported by strong performance across all business segments. Parts and service remained the primary earnings driver, generating $1.6 billion in gross profit (+15.9%), while used-vehicle retail units increased 12.0% and new-vehicle sales rose 10.1%. Adjusted diluted EPS improved 3.8% to $40.71, despite reported net income declining to $323.7 million due to impairment and restructuring charges. The company also repurchased 10.1% of outstanding shares, highlighting continued shareholder-focused capital allocation.

Looking ahead, management expects operational optimization and margin improvement through continued dealership acquisitions, portfolio restructuring, and additional cost-reduction actions, particularly in the U.K. market during 2026. Expansion of higher-margin recurring revenue streams such as parts, service, and F&I operations, combined with disciplined capital deployment and integration of newly acquired dealerships generating roughly $640 million in annual revenue, positions Group 1 for steady long-term earnings growth despite cyclical automotive demand and interest-rate sensitivity.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$7.42	$7.73	$8.91	$10.93	$18.06	$34.55	$45.71	$44.27	$39.21	$40.71	***$41.34***	***$56.64***
DPS	$0.91	$0.97	$1.04	$1.09	$0.60	$1.33	$1.50	$1.80	$1.88	$2.00	***$2.20***	***$4.42***
Shares[1]	21.2	20.4	19.5	19.9	17.8	17.7	15.5	13.7	13.3	12.7	***12.0***	***11.0***

The company has shown strong growth, with EPS rising from $7.42 in 2016 to an estimated $41.34 for 2026, driven by acquisitions, same-store revenue gains, margin improvements, and share repurchases that reduced outstanding shares

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

from 23.2 million to 12 million. Strategic initiatives, such as the 2024 purchase of Inchcape UK's retail operations, have bolstered revenue and profitability.

Looking ahead, the company is expected to grow EPS at a 6.5% annual rate over the next five years, supported by continued acquisitions, operational efficiencies, and a stable dividend policy, which increased from $0.91 per share in 2016 to $2.00 in 2025. Group 1's history of revenue growth, margin enhancement, and capital returns positions it well for sustained long-term growth.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	10.5	9.2	5.9	9.2	7.3	5.7	4.0	6.9	10.8	9.6	***7.9***	***12.00***
Avg. Yld.	1.2%	1.4%	2.0%	1.1%	0.5%	0.7%	0.8%	0.6%	0.5%	0.5%	***0.7%***	***0.7%***

Over the past decade, GPI has averaged a P/E ratio of 8.0x. Over the past five years, the company's average P/E is 7.5x. It has been as low as 4.0x in 2022 and as high as 11x in 2015. We think a fair value multiple estimates to 12x earnings is fair for this company because of the expected earnings growth over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	12%	13%	12%	10%	3%	4%	3%	4%	5%	5%	***5%***	***8%***

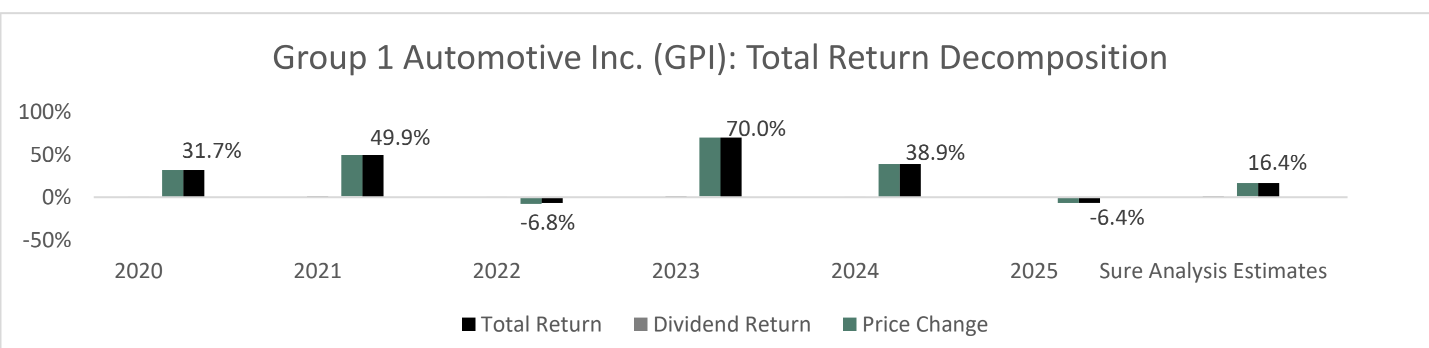
The company has a competitive advantage through its large dealership network, diversified brand mix, and strong aftersales services, which provide stable revenue and reduce reliance on any single manufacturer. These factors give the company a resilient market position and recurring profits from parts and service.

The company has weathered major downturns, including the 2008–2010 recession, by cutting costs and improving efficiency. It carries $5.87 billion in debt against $2.79 billion in equity, with an interest coverage ratio of 2.6, showing it can comfortably meet obligations. With a low dividend payout ratio of 5%, Group 1 prioritizes reinvestment and balance sheet strength, supporting sustainable growth.

Final Thoughts & Recommendation

Based on current valuation and growth outlook, GPI offers an estimated total return potential of 16.4% annually over the next five years, driven by modest EPS growth of 6.5%, a dividend yield of 0.7%, and slight potential for valuation multiple expansion. The company's financial position is solid, with manageable leverage and strong cash flow, though its cyclical exposure to the automotive retail industry adds moderate risk. Given that the stock trades under fair value with a margin of safety. Thus, it is viewed as a Buy. The company has a stable growth and disciplined capital allocation.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	10,633	10,888	11,130	11,601	12,044	10,600	13,482	16,222	17,874	19,934
Gross Profit	1,487	1,544	1,594	1,658	1,744	1,661	2,363	2,877	2,928	3,128
Gross Margin	14.0%	14.2%	14.3%	14.3%	14.5%	15.7%	17.5%	17.7%	16.4%	15.7%
SG&A Exp.	1,121	1,171	1,226	1,273	1,358	1,140	1,479	1,786	1,928	2,181
D&A Exp.	47	51	58	67	72	100	104	119	92	113
Operating Profit	360	368	375	420	399	518	890	1,060	984	909
Operating Margin	3.4%	3.4%	3.4%	3.6%	3.3%	4.9%	6.6%	6.5%	5.5%	4.6%
Net Profit	90	141	206	152	168	286	607	733	587	487
Net Margin	0.9%	1.3%	1.9%	1.3%	1.4%	2.7%	4.5%	4.5%	3.3%	2.4%
Free Cash Flow	(67)	241	(9)	91	140	835	1,207	423	(122)	222
Income Tax	88	80	6	48	53	84	176	231	198	162

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,397	4,462	4,871	5,001	5,570	5,089	5,749	6,718	7,774	9,985
Cash & Equivalents	13	21	29	16	24	69	15	48	57	34
Accounts Receivable	397	423	478	446	460	390	380	466	593	651
Inventories	1,738	1,652	1,763	1,844	1,902	1,446	1,073	1,357	1,963	2,637
Goodwill & Int. Ass.	1,163	1,162	1,199	1,224	1,262	1,230	1,813	2,178	2,353	3,006
Total Liabilities	3,478	3,532	3,747	3,905	4,315	3,640	3,924	4,480	5,100	7,011
Accounts Payable	280	356	413	419	528	430	458	488	499	738
Long-Term Debt	2,773	2,729	2,925	3,051	3,331	2,650	2,849	3,348	3,895	5,237
Shareholder's Equity	918	930	1,124	1,096	1,256	1,450	1,825	2,238	2,674	2,974
LTD/E Ratio	3.02	2.93	2.60	2.78	2.65	1.83	1.56	1.50	1.46	1.76

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.1%	3.2%	4.4%	3.1%	3.2%	5.4%	11.2%	11.8%	8.1%	5.5%
Return on Equity	9.5%	15.3%	20.0%	13.7%	14.3%	21.2%	37.1%	36.1%	23.9%	17.2%
ROIC	2.5%	3.8%	5.3%	3.7%	3.8%	6.6%	13.8%	14.3%	9.7%	6.6%
Shares Out.	23.2	21.2	20.4	19.5	19.9	17.8	17.7	15.5	13.7	13.3
Revenue/Share	459.25	514.29	544.94	596.13	671.48	595.30	760.73	1,047	1,301	1,504
FCF/Share	(2.88)	11.38	(0.42)	4.65	7.81	46.86	68.09	27.30	(8.88)	16.72

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.