Group 1 Automotive Inc. (GPI)

Updated May 27th, 2026 by Felix Martinez

Key Metrics

Current Price:	$332	**5 Year CAGR Estimate:**	16.4%	**Market Cap:**	$3.8 B
Fair Value Price:	$505	**5 Year Growth Estimate:**	6.5%	**Ex-Dividend Date:**	06/01/26
% Fair Value:	66%	**5 Year Valuation Multiple Estimate:**	8.8%	**Dividend Payment Date:**	06/15/26
Dividend Yield:	0.7%	**5 Year Price Target**	$692	**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 April 30th, 2026, the company announced first-quarter results. The company reported mixed first-quarter 2026 results, as adjusted earnings and revenue both slightly missed analyst expectations. Revenue declined 1.8% year-over-year to $5.4 billion, while adjusted diluted earnings per share fell to $8.66 from $10.17 in the prior-year quarter. Although reported GAAP EPS increased to $10.82, results were significantly supported by a $2.87 per share gain related to asset dispositions. Vehicle demand remained under pressure, with new vehicle retail unit sales declining 6.6% and used retail unit sales falling 4.4%, reflecting weaker consumer affordability amid elevated interest rates and vehicle prices.

The company's strongest performance came from its higher-margin parts and service business, where gross profit increased 5.0% year-over-year to $400 million and gross margin expanded to 56.8%, a quarterly record. Group 1 also delivered strong results in the United Kingdom, where gross profit rose 6.3% to a record $230.6 million, supported by growth in parts and service, finance and insurance, and used vehicle operations. However, profitability weakened across several core dealership categories, including lower gross profit per new and used vehicle sold and declining finance and insurance revenue in the U.S. market.

Management acknowledged that the operating environment remains challenging due to high interest rates, elevated gasoline prices, and ongoing affordability pressures. In response, the company implemented cost-reduction initiatives, including staffing reductions and lower discretionary spending across both the U.S. and U.K. operations. Despite softer operational performance, Group 1 continued to strengthen shareholder returns and balance sheet flexibility by repurchasing approximately $72 million of stock during the quarter and reducing total debt by more than 15% from year-end 2025 levels.

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	***$42.08***	***$57.65***
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 $42.08 for 2026, driven by acquisitions, same-store revenue gains, margin improvements, and share repurchases that reduced outstanding shares

[1] Share count is in millions.

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%***	***0.6%***

Over the past decade, GPI has averaged a P/E ratio of 7.9x. Over the past five years, the company's average P/E is 7.4x. 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%***

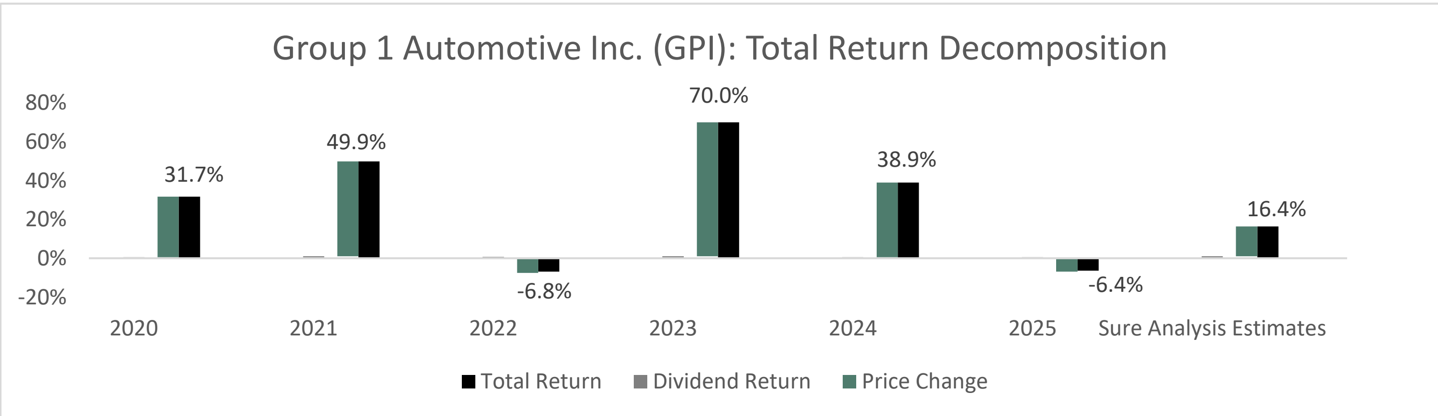
The company has a competitive advantage through its large dealership network, diversified brand mix, and strong aftersales services, which provide stable revenue and reduce reliance on any single manufacturer. These factors give the company a resilient market position and recurring profits from parts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



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.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	10,888	11,130	11,601	12,044	10,600	13,482	16,222	17,874	19,934	22,571
Gross Profit	1,544	1,594	1,658	1,744	1,661	2,363	2,877	2,928	3,128	3,622
Gross Margin	14.2%	14.3%	14.3%	14.5%	15.7%	17.5%	17.7%	16.4%	15.7%	16.1%
SG&A Exp.	1,171	1,226	1,273	1,358	1,140	1,479	1,786	1,928	2,181	2,546
D&A Exp.	51	58	67	72	100	104	119	92	113	121
Operating Profit	368	375	420	399	518	890	1,060	984	909	955
Operating Margin	3.4%	3.4%	3.6%	3.3%	4.9%	6.6%	6.5%	5.5%	4.6%	4.2%
Net Profit	141	206	152	168	286	607	733	587	487	325
Net Margin	1.3%	1.9%	1.3%	1.4%	2.7%	4.5%	4.5%	3.3%	2.4%	1.4%
Free Cash Flow	241	(9)	91	140	835	1,207	423	(122)	222	424
Income Tax	80	6	48	53	84	176	231	198	162	126

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	4,462	4,871	5,001	5,570	5,089	5,749	6,718	7,774	9,985	10,350
Cash & Equivalents	21	29	16	24	69	15	48	57	34	33
Accounts Receivable	423	478	446	460	390	380	466	593	651	635
Inventories	1,652	1,763	1,844	1,902	1,446	1,073	1,357	1,963	2,637	2,741
Goodwill & Int.	1,162	1,199	1,224	1,262	1,230	1,813	2,178	2,353	3,006	3,139
Total Liabilities	3,532	3,747	3,905	4,315	3,640	3,924	4,480	5,100	7,011	7,561
Accounts Payable	356	413	419	528	430	458	488	499	738	733
Long-Term Debt	2,729	2,925	3,051	3,331	2,650	2,849	3,348	3,895	5,237	3,670
Shareholder’s Equity	930	1,124	1,096	1,256	1,450	1,825	2,238	2,674	2,974	2,789
LTD/E Ratio	2.93	2.60	2.78	2.65	1.83	1.56	1.50	1.46	1.76	2.10

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.2%	4.4%	3.1%	3.2%	5.4%	11.2%	11.8%	8.1%	5.5%	6.6%
Return on Equity	15.3%	20.0%	13.7%	14.3%	21.2%	37.1%	36.1%	23.9%	17.2%	11.3%
ROIC	3.8%	5.3%	3.7%	3.8%	6.6%	13.8%	14.3%	9.7%	6.6%	7.7%
Shares Out.	21.2	20.4	19.5	19.9	17.8	17.7	15.5	13.7	13.3	12.7
Revenue/Share	514.29	544.94	596.13	671.48	595.30	760.73	1,047	1,301	1,504	1,772
FCF/Share	11.38	(0.42)	4.65	7.81	46.86	68.09	27.30	(8.88)	16.72	33.33

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