THE FINANCIAL BLUEPRINT: CAR DEALERSHIP STARTUP COSTS

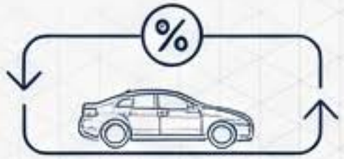
Capital Requirements, Inventory Financing, and Operational Runway

CAPITAL REQUIREMENTS

Site & Construction: **$2.5M - $5M** ⚠ High Upfront Costs!
Franchise Fees: $100K - $500K
Equipment & Fixtures: $300K - $700K
Initial Inventory (Down Payment): $1M - $3M

INVENTORY FINANCING (FLOOR PLAN)

Financing Type: Revolving Line of Credit
Interest Rates: 4% - 8%
Monthly Interest: **$5K - $20K**
Inventory Turnover Target: 60-90 Days



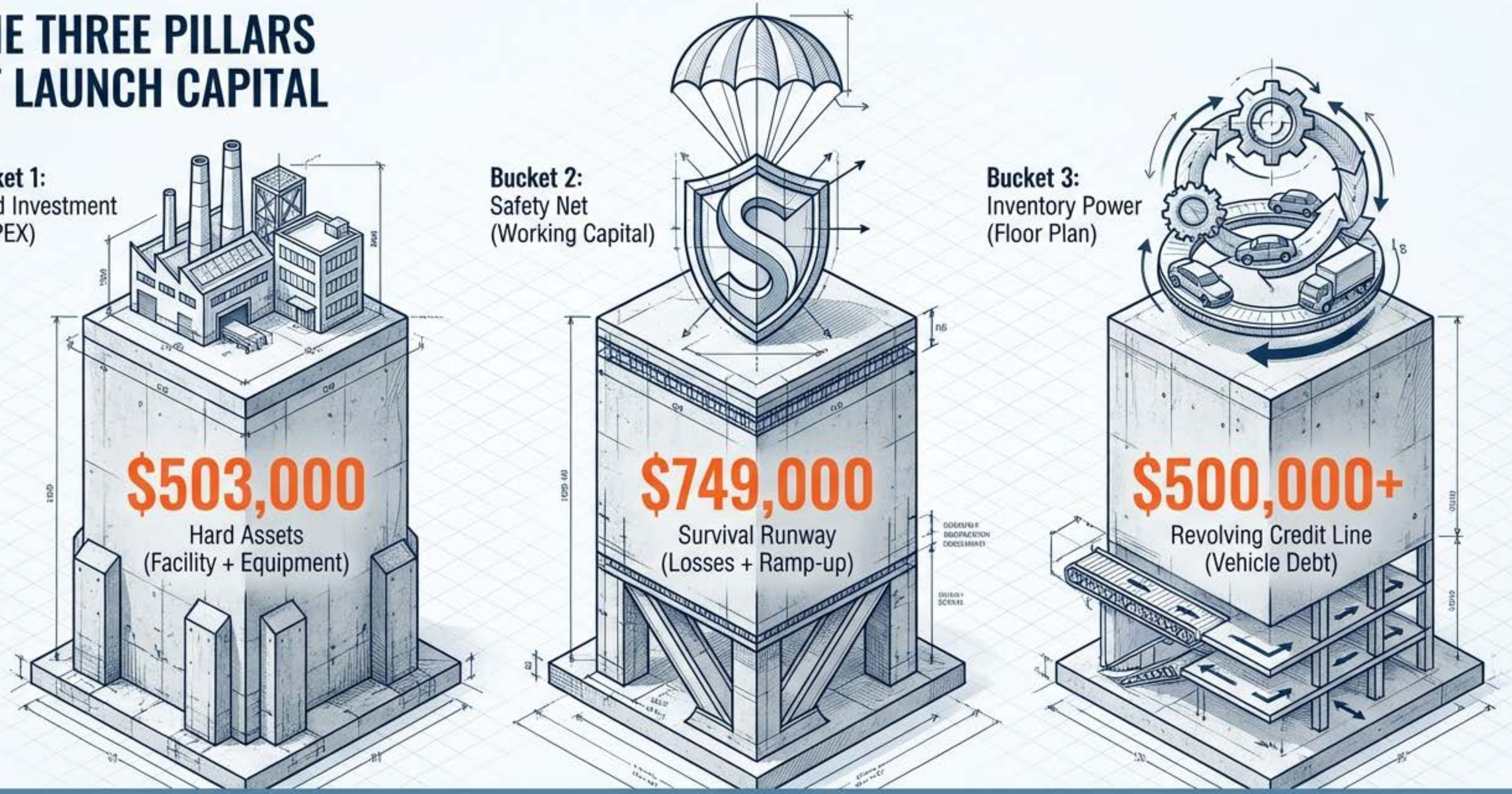
OPERATIONAL RUNWAY (6-12 MONTHS)

Payroll & Staffing: $150K - $300K/Month ⚠ Burn Rate Critical!
Marketing & Advertising: $20K - $50K/Month
Utilities & Insurance: $10K - $25K/Month
Working Capital Reserve: $500K - $1M

INVESTMENT ARCHITECTURE ANALYSIS

FINANCIAL MODELS LAB

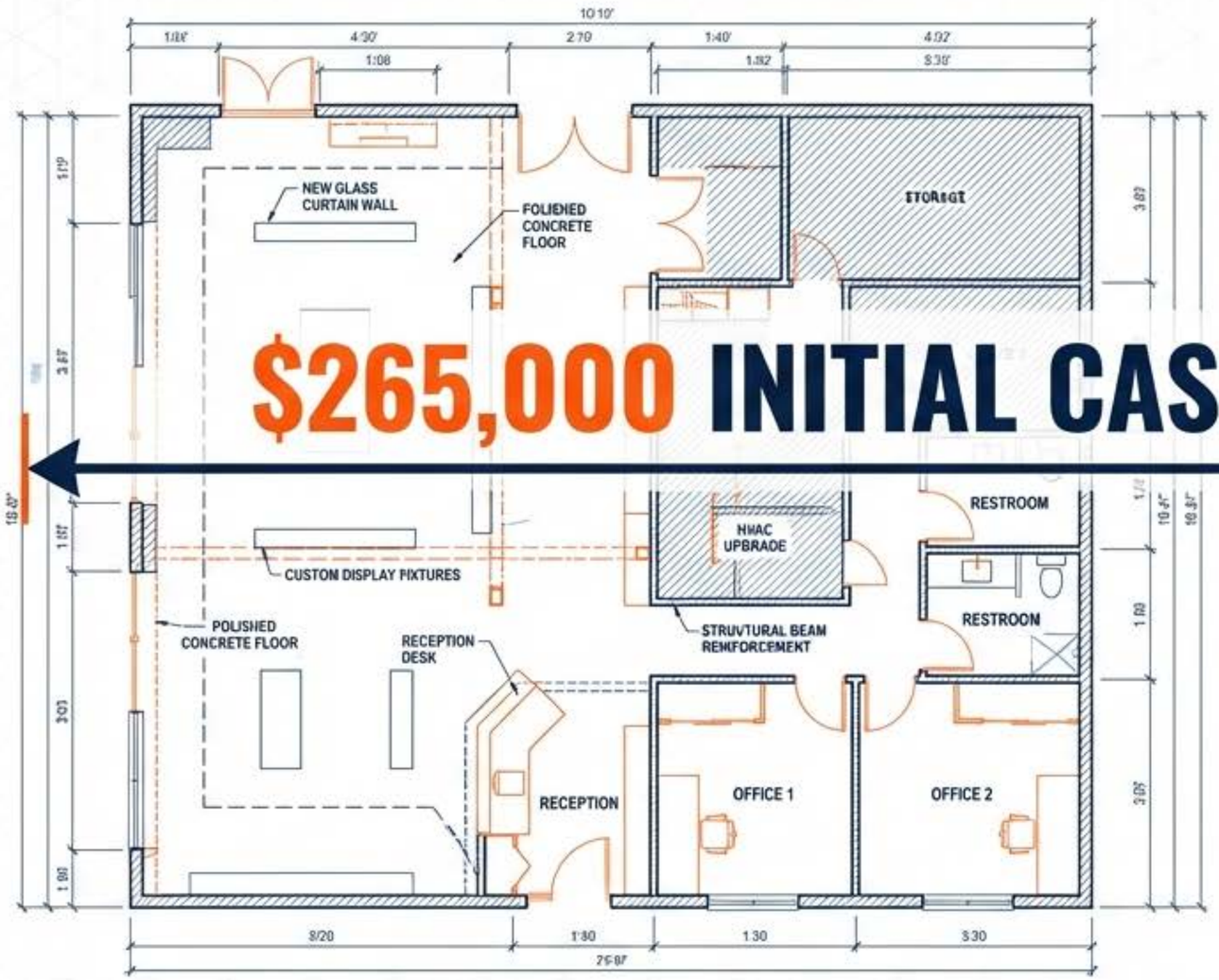
THE THREE PILLARS OF LAUNCH CAPITAL



Insight: *While hard assets are fixed one-time costs, your working capital runway dictates survival. You need distinct funding strategies for each bucket.*

FINANCIAL MODELS LAB

THE PHYSICAL FOUNDATION: REAL ESTATE & BUILDOUT



$265,000 INITIAL CASH OUTLAY

Renovation/Buildout:
$250,000
(Annotated: Structural investment, showroom modernization)

Lease Deposit: $15,000
(Annotated: Based on 1 month rent)

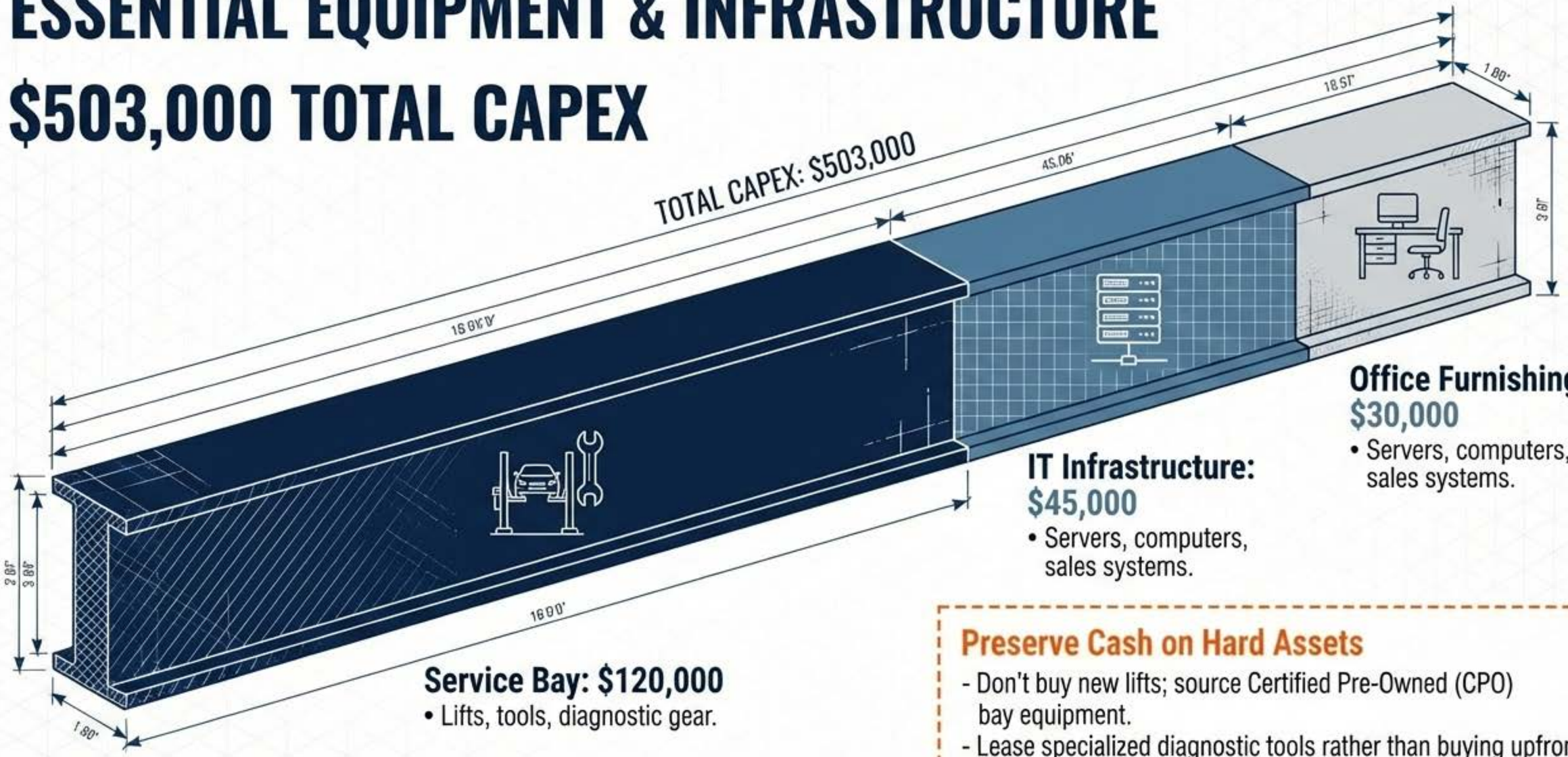
Critical Path: Secure the lease only after confirming zoning feasibility. A signed lease on a non-zoned lot is a stranded asset.

Risk Note:
Construction delays directly burn the working capital buffer without generating revenue.

FINANCIAL MODELS LAB

ESSENTIAL EQUIPMENT & INFRASTRUCTURE

$503,000 TOTAL CAPEX



Office Furnishings:
$30,000
- Servers, computers, sales systems.

IT Infrastructure:
$45,000
- Servers, computers, sales systems.

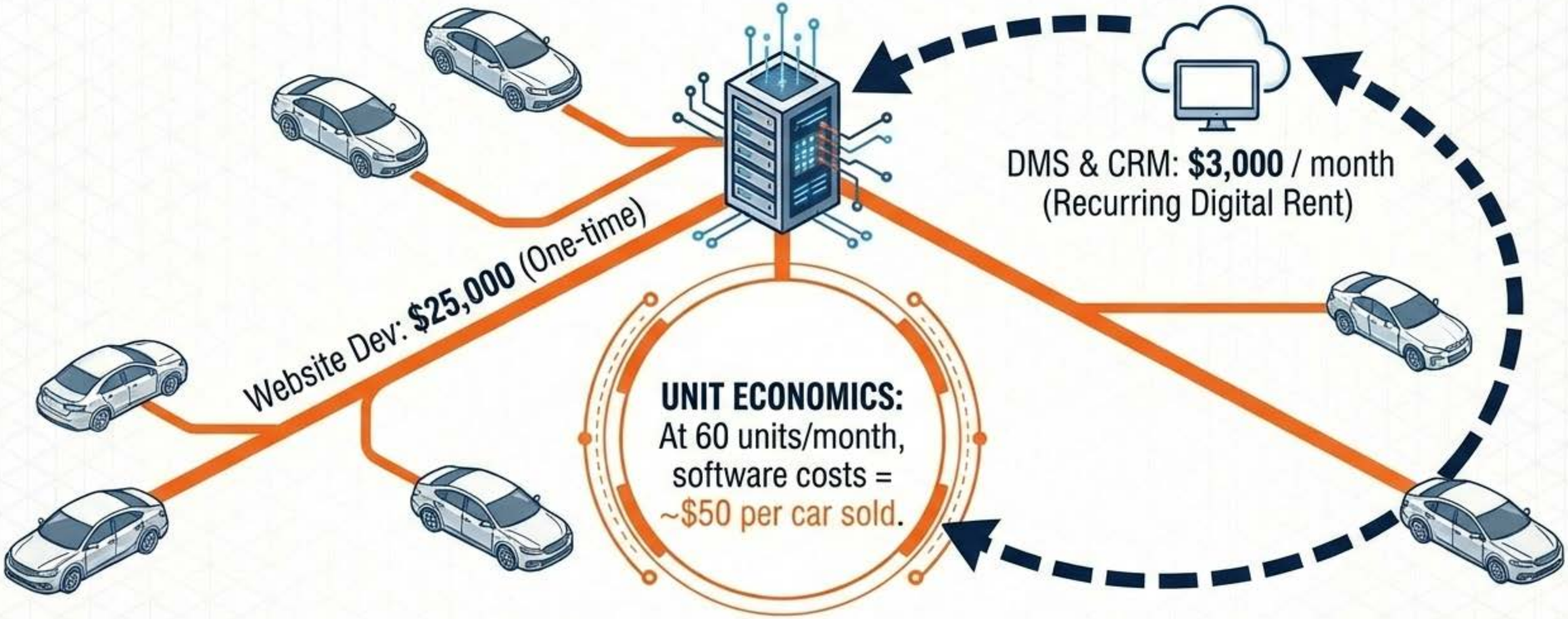
Service Bay: $120,000
- Lifts, tools, diagnostic gear.

Preserve Cash on Hard Assets

- Don't buy new lifts; source Certified Pre-Owned (CPO) bay equipment.
- Lease specialized diagnostic tools rather than buying upfront.
- Standardize IT hardware for volume discounts.

FINANCIAL MODELS LAB

THE DIGITAL BACKBONE: SOFTWARE & TECH STACK

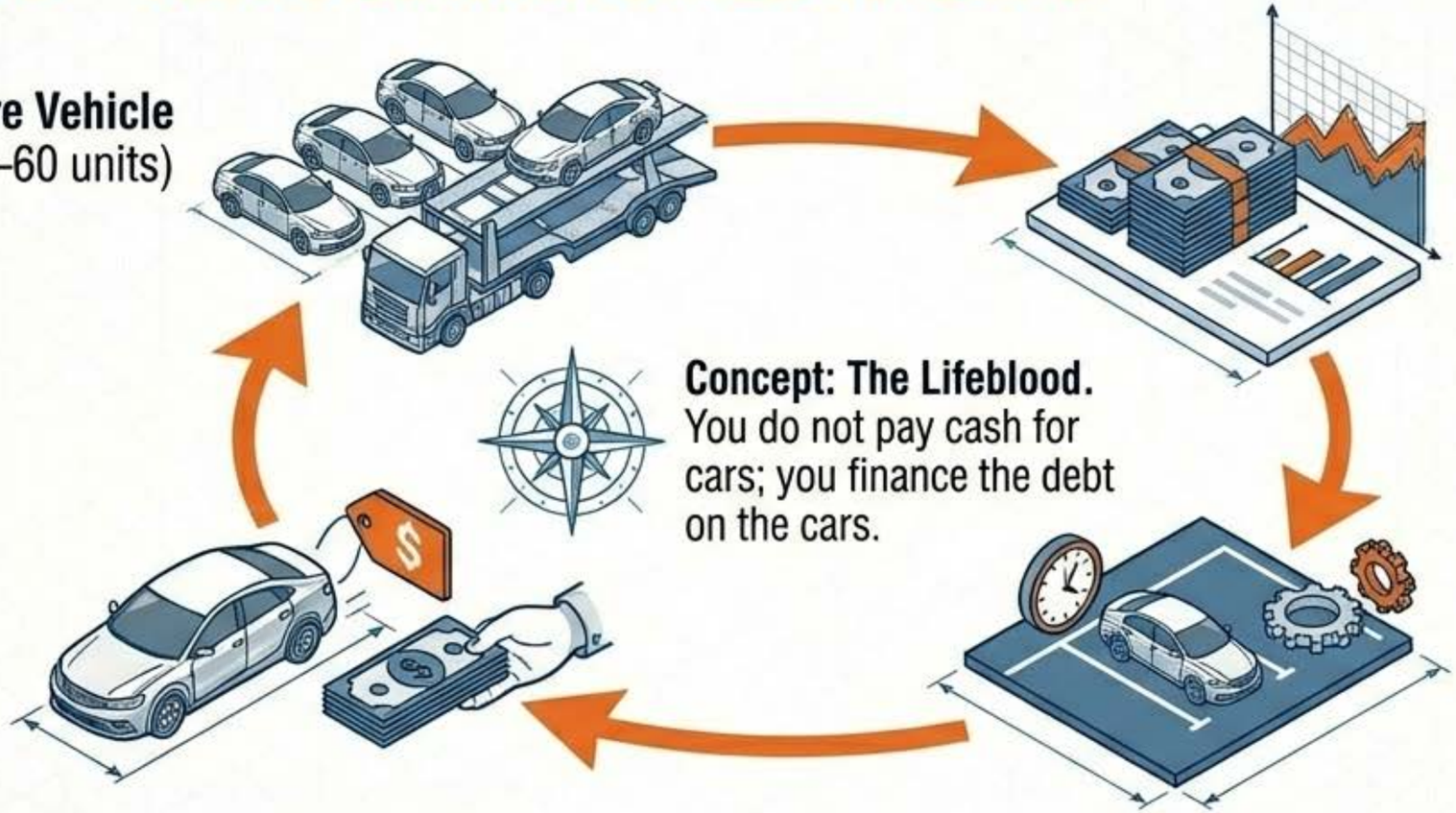


Strategy: Negotiate pricing based on projected volume, not system capacity.
Avoid bespoke coding; focus on transparent pricing and inventory feeds.

FINANCIAL MODELS LAB

THE INVENTORY ENGINE: FLOOR PLAN FINANCING

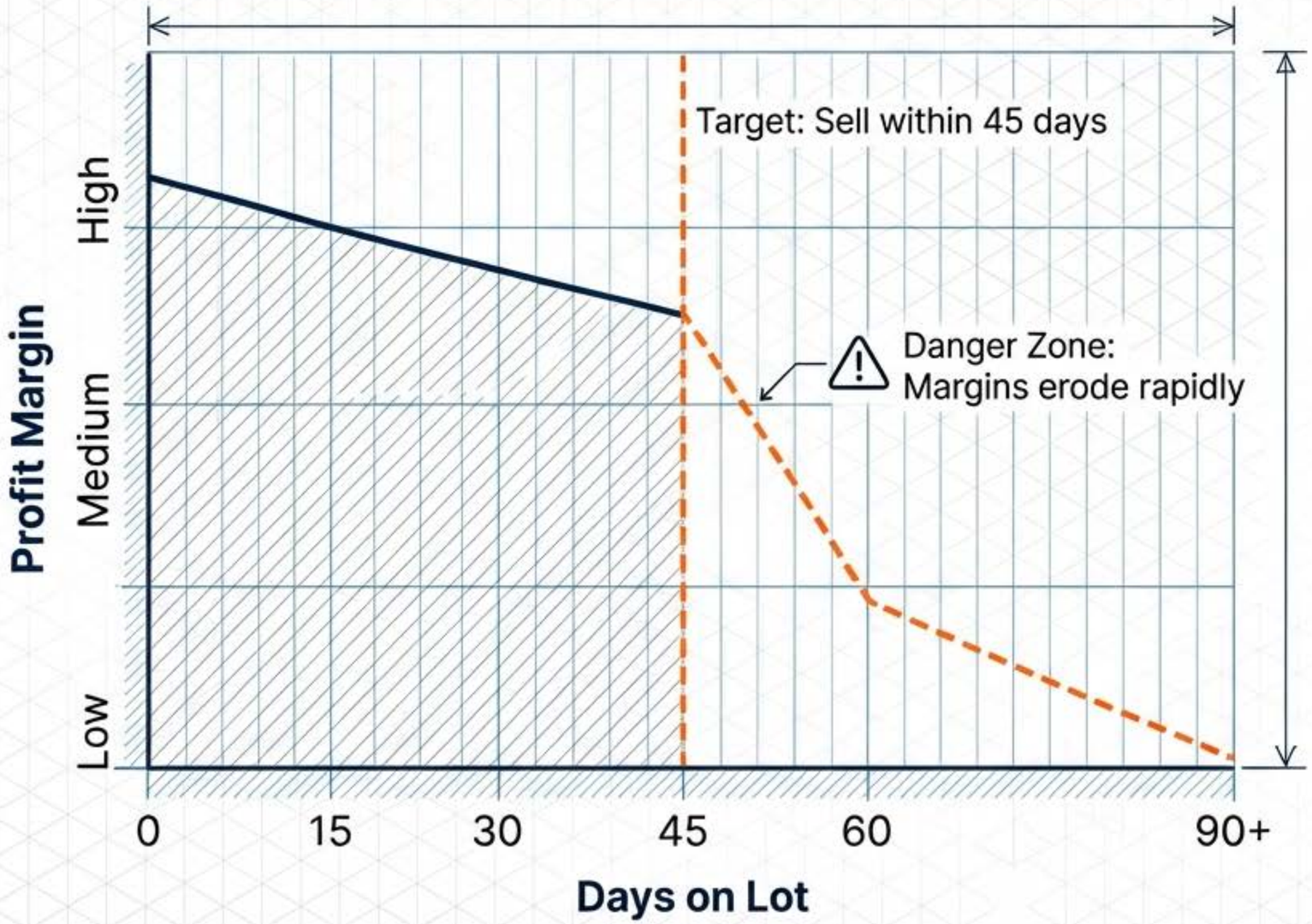
$500,000+ REVOLVING CREDIT LINE



Must secure $500k+ credit line to open doors.

FINANCIAL MODELS LAB

INVENTORY VELOCITY & INTEREST RISK



Your inventory is a melting ice cube. Velocity is the only way to preserve margin.

Interest Rate: Prime + ~3%

FINANCIAL MODELS LAB

THE REGULATORY BARRIER: LICENSING & BONDS

- [x] **Zoning Permits**
  (The absolute first step)
- [ ] **Surety Bond**
  ($25k–$100k Value)
- [ ] **State/Local Licenses**
  (Fees + Renewals)

Required to open doors.

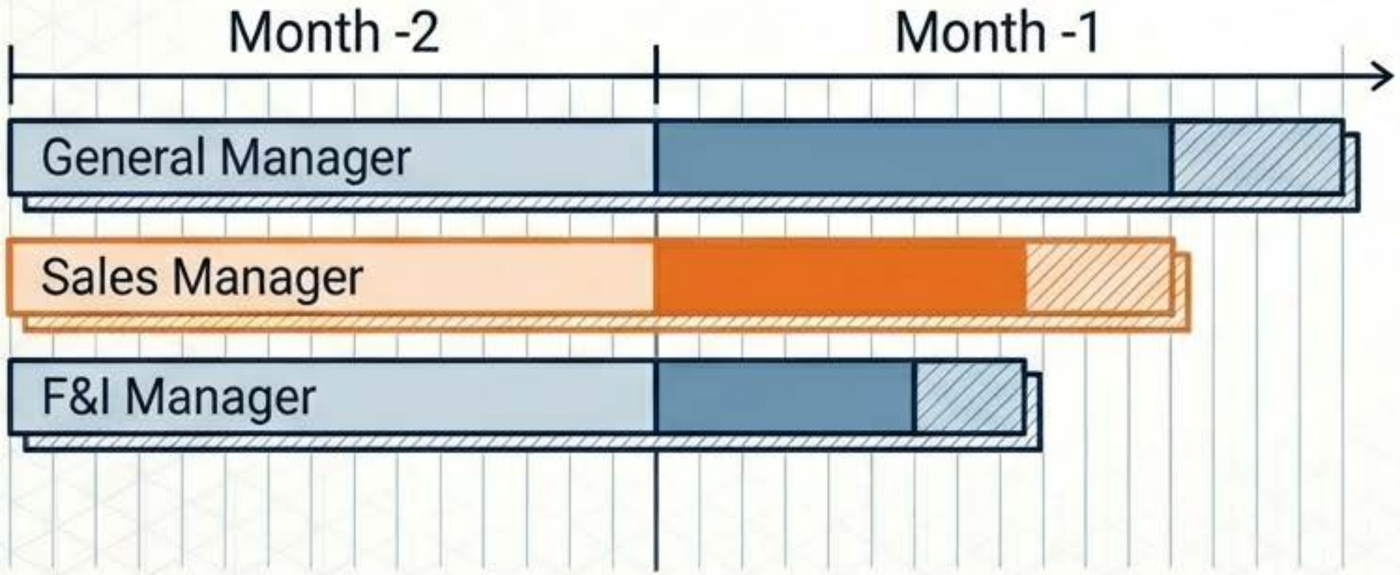
Delays here stop the entire timeline. You cannot utilize the floor plan without the bond.

FINANCIAL MODELS LAB

THE PRE-OPENING PAYROLL BURN

$98,334

First 2 Months Salaries
(Cash Required Before Sales)



Strategy: Shorten the Runway

Standard: 8 weeks hiring/training

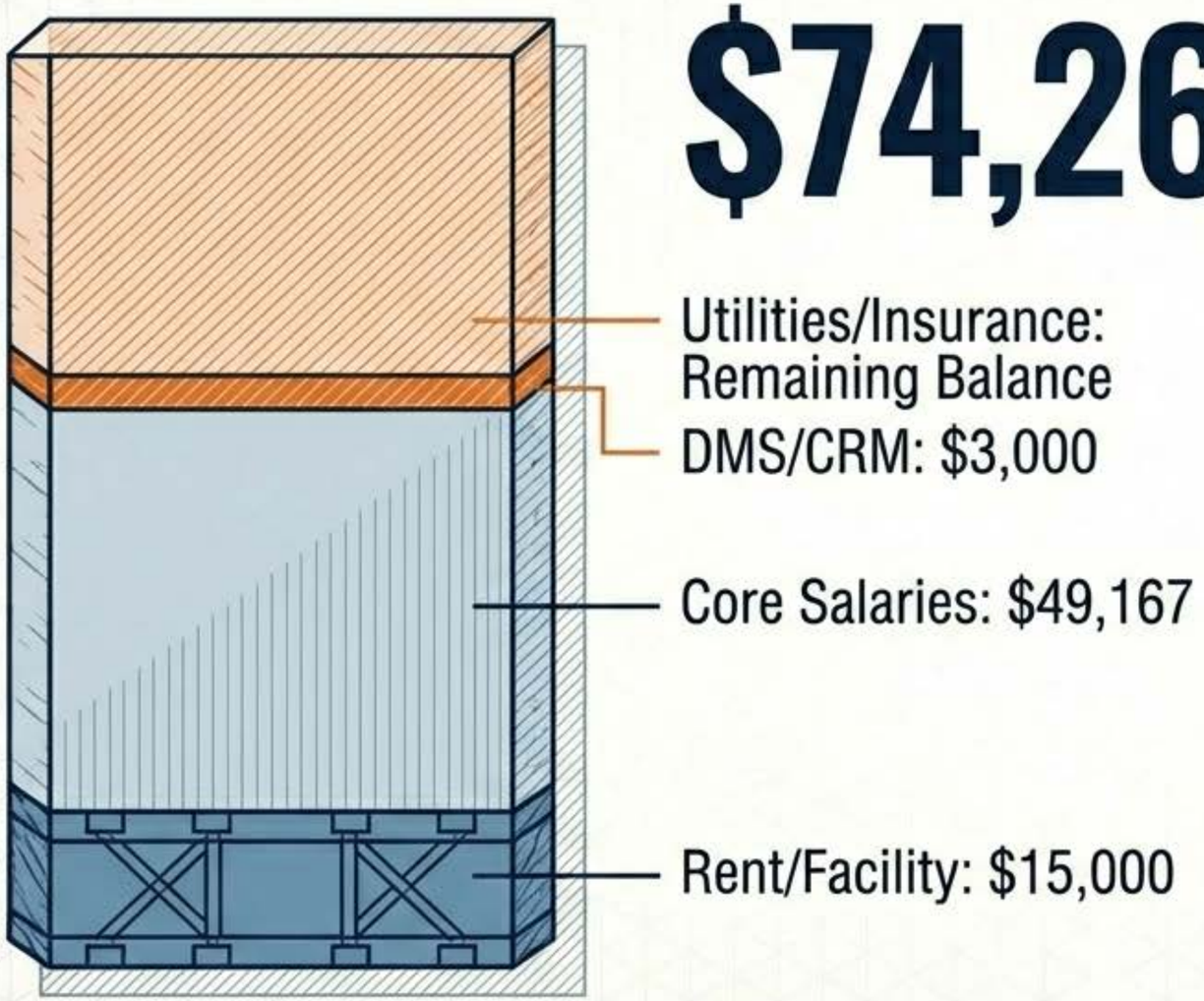
↓

Optimized: 6 weeks

Result: Saves ~25% of cash outlay.

FINANCIAL MODELS LAB

MONTHLY FIXED OVERHEAD ("THE NUT")



$74,267 per month

The Reality Check:
You start every month -$74,267 in the hole.

Sales volume must climb out of this deficit before profit exists.

FINANCIAL MODELS LAB

THE SURVIVAL SAFETY NET: WORKING CAPITAL BUFFER

Purpose: To cover the "Valley of Death"—the gap between cash outflow and positive cash flow.

If ramp-up takes 3 months instead of 2, the operational cash need jumps by +$74k.

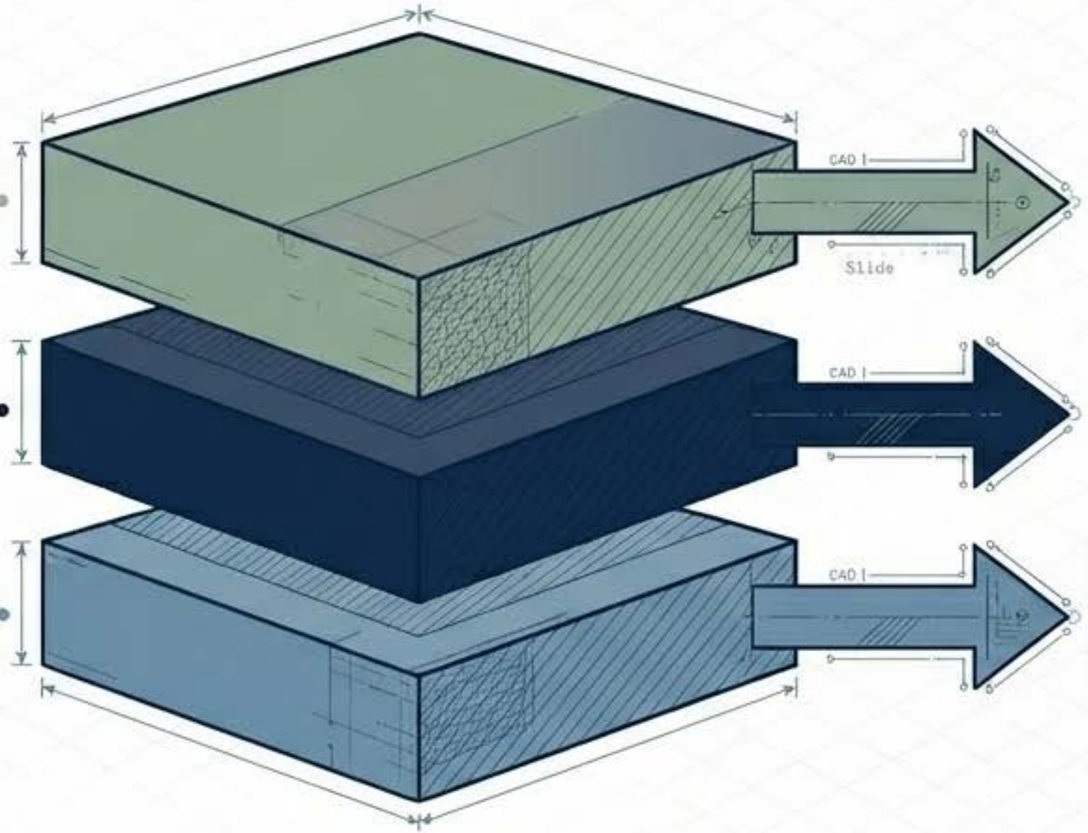
FINANCIAL MODELS LAB

THE CAPITAL STRUCTURE: FUNDING THE LAUNCH

Source:
EQUITY

Source:
BANK LOANS

Source:
FLOOR PLAN



Use: Soft Costs, Operating Expenses & Buffer (Risk Capital)

Use: Hard Assets / Real Estate (Collateralized)

Use: Vehicle Inventory (Specialized Line of Credit)

Rule of Thumb: Banks lend on collateral; Equity funds the risk.
If equity falls short of $500k, loan terms tighten.

FINANCIAL MODELS LAB

THE ROADMAP TO BREAKEVEN

Critical Dependency: Requires inventory velocity and immediate sales traction.

Cash needed just for operations in these first two months: **$148,534**

FINANCIAL MODELS LAB

RISK MITIGATION & SUMMARY CHECKLIST

THE MUST-HAVES

- **$503k** Fixed Capital (CAPEX)
- **$749k** Cash Buffer
- **$500k+** Floor Plan Line

TOP 3 RISKS

1. **Slow Inventory Turn:** Interest (Prime + 3%) eats profit margin.
2. **Construction Delays:** Extends burn rate without revenue.
3. **Under-capitalization:** Running out of the $749k buffer.

FINANCIAL MODELS LAB

LIQUIDITY IS KING.

The success of a dealership launch is not determined by the cars on the lot, but by the runway in the bank.

Minimum Cash Buffer: $749,000

FINANCIAL MODELS LAB