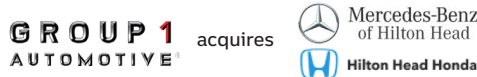


Dealership M&A and valuation overview

Recent noteworthy deals in auto retail M&A

Group 1 Automotive acquires Modern Classic Motors.



Announced: March 11, 2024
Transaction value: Undisclosed

"We are delighted to grow our relationship with Mercedes-Benz and Honda while adding scale to our successful Hilton Head operations with these highly desirable brands."

*– Daryl Kenningham,
 President and CEO, Group 1 Automotive*

Modern Classic Motors footprint

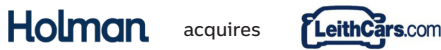


2 dealership locations in South Carolina

Observations and takeaways

- Group 1 Automotive, with 200 locations in the U.S. and U.K., has acquired nearly \$1.0 billion of revenue thus far in 2024, following \$1.1 billion in 2023.
- The acquisition of Modern Classic Motors in Hilton Head expands Group 1's relationship to 17 Mercedes-Benz and 13 Honda franchises.
- The dealerships are expected to generate \$140 million in annual revenue.

Leith Automotive Group acquired by Holman.

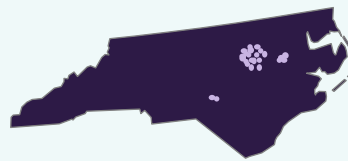


Announced: January 4, 2024
Transaction value: Undisclosed

"Leith and Holman are highly respected, family-owned businesses that place the highest priority on the growth and well-being of their valued employees and on creating unparalleled purchase and ownership experiences for their customers...Over the past 56 years, the Leith family has built an incredible organization and a large, close-knit family of employee partners, and Holman is committed to keeping their tradition of success moving forward."

– Joint statement from both companies

Leith Automotive Group footprint



31 dealerships across North Carolina

Observations and takeaways

- The acquisition of Leith closed on March 18, 2024, marks the largest transaction in Holman's history, nearly doubling its retail business.
- The 27 dealerships will continue to operate under the Leith name.
- Holman now operates 58 dealerships under 38 brands in nine states.

Morgan Automotive acquires South Motors and Vista Motors.



Announced: October 2, 2023
Transaction value: Undisclosed

"We have enjoyed getting to know the employees here at South and Vista during the final steps of this transaction. There is a real yearning to learn, reach higher and achieve more amongst their people. We are excited to have them at the helm of our future successes in South Florida."

*– Brett Morgan,
 President and CEO, Morgan Auto Group*

South and Vista Motors footprint



9 dealerships across South Florida

Observations and takeaways

- Morgan's acquisition of South Motors and Vista Motors marks its largest acquisition, bringing the total number of stores to 76.
- South & Vista Motors operated some of the highest volume dealerships in the US, retailing approximately 19,000 new and used units in 2023, while employing 1,100 people and generating over \$1.0 billion in revenue.
- The acquisition brings the Infiniti brand to Morgan, while adding 3 BMW, 2 Volkswagen, 2 MINI, and 1 Honda dealership.

Summary of recent transactions in the auto dealership space

Transaction date	Acquirer	Target	Region	Target stores	Transaction commentary
4/22/24	Fred Beans Automotive Group	Rosenthal Automotive Organization	Northeast	4	Beans' acquisition adds three new brands, including Acura, Honda, and Mazda. The Fred Beans Automotive Group now encompasses 27 dealerships spanning 20 brands.
3/18/24	Benson Auto Group, Bob Boyte, Gulf Coast Tameron, Mills Auto Group, Premier Auto Group	Ray Brandt	South	11	Given the size and complexity of the Ray Brandt estate with dealerships worth ~\$280 million, multiple buyers were involved in the transaction.
3/18/24	Holman	Leith Automotive Group	South	27	This acquisition nearly doubles Holman's automotive retail business, which now features 58 dealerships, 34 brands, and almost 4,500 retail automotive employees in nine states. Leith Automotive is the largest retail acquisition in Holman's history.
2/26/24	Lithia Motors	Carousel Motor Group	Midwest	9	The Carousel Motor Group's nine stores, including both premier luxury and domestic brands, expands the Lithia Motors footprint into Minneapolis-St. Paul, one of the largest markets in the Midwest. The acquisition is projected to generate more than \$900 million in annual revenues.
2/12/24	Ciocca Automotive	Stewart Cos (Apple Automotive)	Northeast	10	Apple Automotive encompasses 10 auto dealerships, representing 10 brand franchises as well as two used dealerships, six collision centers, two car washes, and a wholesale parts business.
2/12/24	Group 1 Automotive	RRR Automotive Group	Northeast	5	The acquisition includes Toyota, Honda, Hyundai, and Kia new vehicle dealerships, one Toyota Certified pre-owned center, and three collision centers. The acquisition adds the two highest volume Honda dealerships in Maryland, expected to generate over \$500 million in annual revenues.
2/6/24	Deacon Jones/Capital Automotive Group	Dan Sale (Sale Auto Mall)	South	4	The addition of Sale Auto Mall (BMW, Chevrolet, GMC, Kia, & Ford) in Kinston expands Deacon Jones' presence in the eastern NC region and adds its first luxury brand (BMW).
2/5/24	Doggett Automotive Group	Group 1 Automotive	Southwest	6	Doggett receives a dealership portfolio that includes BMW, Mercedes-Benz, Honda, CDJR, VW, and Nissan brands. The expansion underscores Doggett's commitment to offering a broad range of options to its customers.
1/22/24	Morrie's Auto Group	Chilson Motors	Midwest	3	The acquisition adds a Subaru and CDJR dealerships, expanding Morrie's presence in Wisconsin and extending its Midwest retail coverage across both Minnesota and Michigan.
1/1/24	Mountain West Auto Group	Mike & Doug Porter	West	2	This acquisition adds Porter's Utah location to Mountain West Auto Group's portfolio of dealerships, strengthening its presence in the Cache Valley (Utah and Idaho).
12/14/23	Dahl Automotive	Kocourek Automotive	Midwest	4	Included in the acquisition are two Honda dealerships and two CDJR dealerships, adding four stores across two Wisconsin markets.
12/11/23	Asbury Automotive	Jim Koons Automotive	Northeast	20	The sale of Jim Koons represents one of the largest in auto retail history, with over \$3 billion in revenue and 20 dealerships, 29 franchises, six collision centers, and one of the highest volume Toyota and Stellantis dealerships in the U.S.
12/4/23	Hudson Automotive Group	Vic Bailey Automotive	South	4	Vic Bailey Automotive will expand the Hudson footprint in the South Carolina Upstate alongside Spartanburg Toyota and Lexus of Greenville. The five brands acquired—all in Spartanburg—include Volkswagen, Honda, Subaru, Ford/Lincoln, and Mazda.
11/20/23	DARCARS Automotive Group	Rosenthal Automotive Organization	Northeast	3	The Rosenthal Automotive locations expand DARCARS Northeastern presence and brand offerings, including Honda, Acura, Mazda, and Hyundai/Genesis.

Source: Industry news.

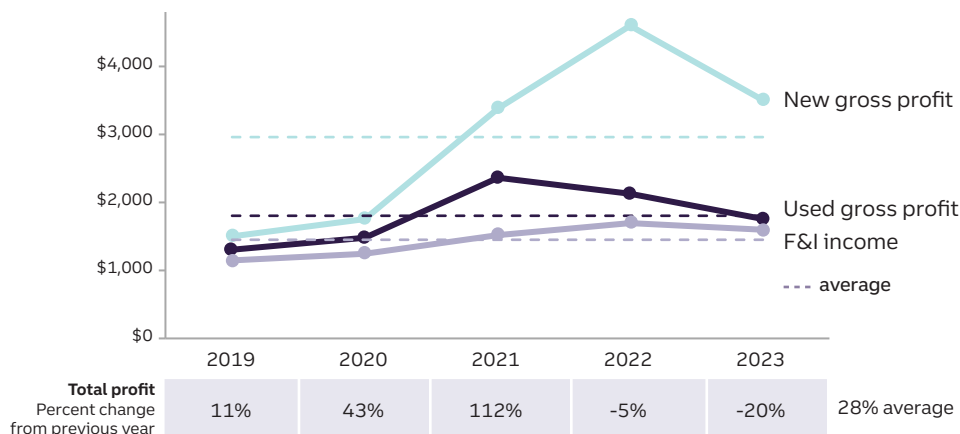
Profits are expected to remain **40% above** pre-COVID levels

- Dealership profits have started to decline from recent highs, on average decreasing nearly 20% YOY.
- Major public dealerships are experiencing even larger falloffs in early 2024, even with record-setting revenues.
- Profits in the auto industry are expected to shrink to \$26 billion in 2024, a drop of 35%, yet remain 40% higher than 2019 levels.

Alternative valuation methods in a falling profit landscape

Since peaking in 2021, average dealership profits have been declining. Gross profits from new, used, and F&I are trending lower from historic highs but are still exceeding pre-COVID levels.

Average car dealership pretax profits per vehicle



↑ 1.4% climb in dealership revenues

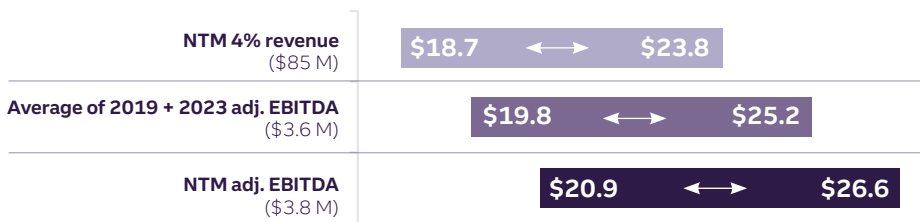
↓ 6% drop in used vehicles sold

↓ 26% drop in gross profit per new vehicle

↓ 23% drop in gross profit per used vehicle

Revised Blue Sky valuation techniques

Buyers are using several different valuation methodologies to establish a range for acquisition targets. Sample illustration of three techniques (5.5 - 7.0x multiple):



NTM 4% revenue A small group of buyers have begun looking at revenue margin instead of EBITDA as a basis for valuation. This can streamline the valuation process by not having to factor out non-business-related expenses often intertwined with the business.

Average of 2019 + 2023 adjusted EBITDA Averaging pre- and post- pandemic financials incorporates the success dealerships have enjoyed while assuming that earnings will not return to pre-pandemic levels.

NTM adjusted EBITDA As earnings stabilize, buyers have started using a forward-looking EBITDA earnings to craft their valuation.

NTM: Next twelve months.
Source: AutoNews, Cox Automotive, industry news and research.

Top dealership challenges

Ranked by importance

#1 Interest rates

#2 Economy

#3 Market conditions

#4 Political climate

#5 Consumer confidence

Attracting customers has been top of mind for dealers. From a Q1 2024 survey, four of the top five challenges reported by dealers—interest rates, economy, market conditions, and customer confidence—point to concerns about the strength of consumers and their ability to buy and lease automobiles.

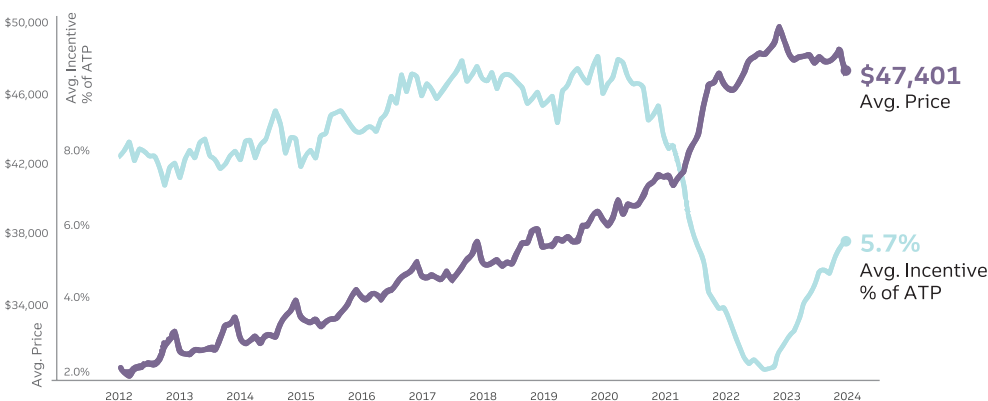
One Kia dealer was quoted saying the market "...feels very tight right now... consumers are unsure about buying; everyone has the same inventory."

Vehicle supply: The rise and fall of OEM incentive spending

Average transaction prices are falling but remain much closer to peak prices than to pre-pandemic levels. A rise in the supply of vehicles has some OEMs seeing downward pressure on prices while others continue to enjoy strong demand.

As prices stabilize, an increase in inventories has led to some OEMs needing to attract more customers. Their answer has been an increase in incentive money. In April 2023, average incentive spend reached 3.4% of sticker price, and a year later it rose to 5.3%.

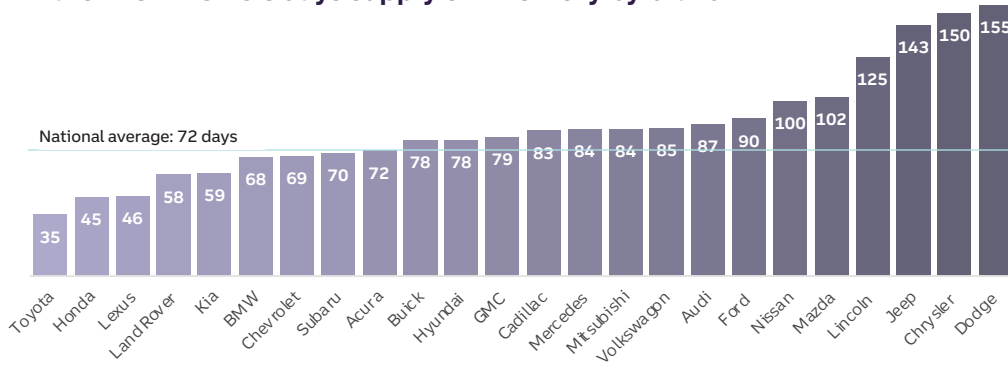
Incentives and average price



At the end of 2023, U.S. supply of unsold new vehicles reached 2.7 million units, about 50% higher than a year ago.

- The surge in supply is not affecting all franchise dealerships evenly. Stellantis, Ford, Mazda, and Nissan have seen expansion in supply, with Stellantis widely reported to be overstocked with high-end versions of some of its models.
- Foreign manufacturers like Toyota and Honda have seen consistently lower supply days, with some hybrid Toyota models down to a five-day supply. Toyota executives hope to see production double by the end of the year compared to last year.
- The brands that have accumulated larger-than-average inventories will continue to increase their incentive spending. That will put pressure on the other OEMs to boost incentives to stay competitive.

March new-vehicle days supply of inventory by brand



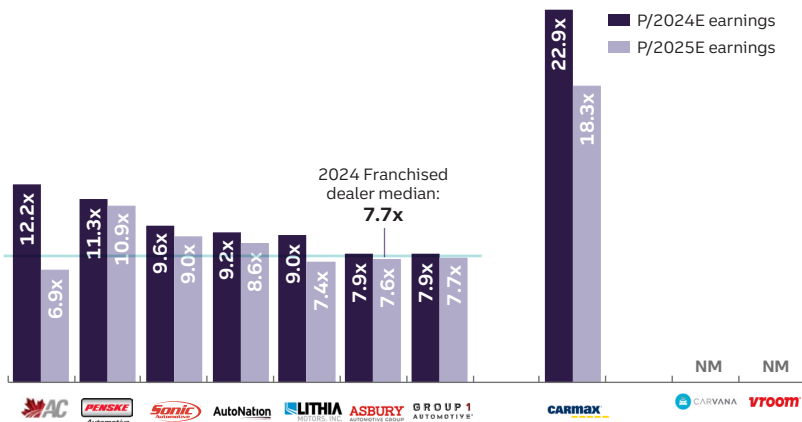
Source: Cox Automotive, industry research and news.

Public dealership valuation and performance

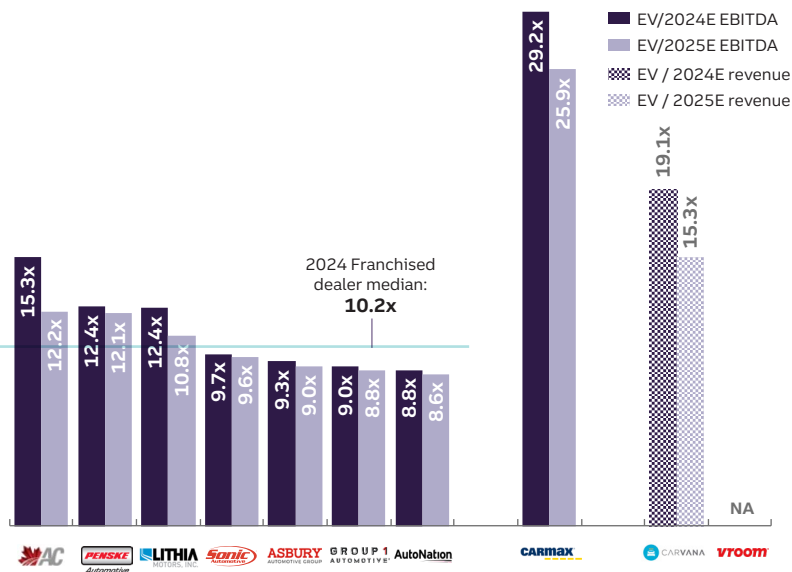
Market commentary

- Valuation multiples have remained consistent from 2H23, but total enterprise values are compressed due to buyers' uncertainty and lower net profits. Valuations may continue to reflect a discount of current EBITDAs as uncertainty remains about future profits.
- Larger auto dealers continue to look for the right combination of brands and locations to maximize synergies. The Holman and Morgan acquisitions illustrate the willingness of larger consolidators to transact when the right set of dealerships are found.
- Dealers will continue to seek ways to reduce costs as gross profits dip amid increasing supply costs and rising incentives.
- Parts and services will continue to play a major role in supporting gross profits as Americans drive their cars longer, increasing the demand for maintenance and repairs.
- Interest rates are likely to remain at current levels as the Fed works to throttle inflation. Increasing costs and pressure on customers—particularly for those financing—are likely to result.
- Carvana's stock has recovered to outperform the market. A strategy focused on cost cutting and cash flow has led to positive EBITDA and may offer a model to other direct-to-consumer retailers.
- CarMax has missed on both top and bottom-line analyst expectations, extending the trend of major sell offs after earnings releases.

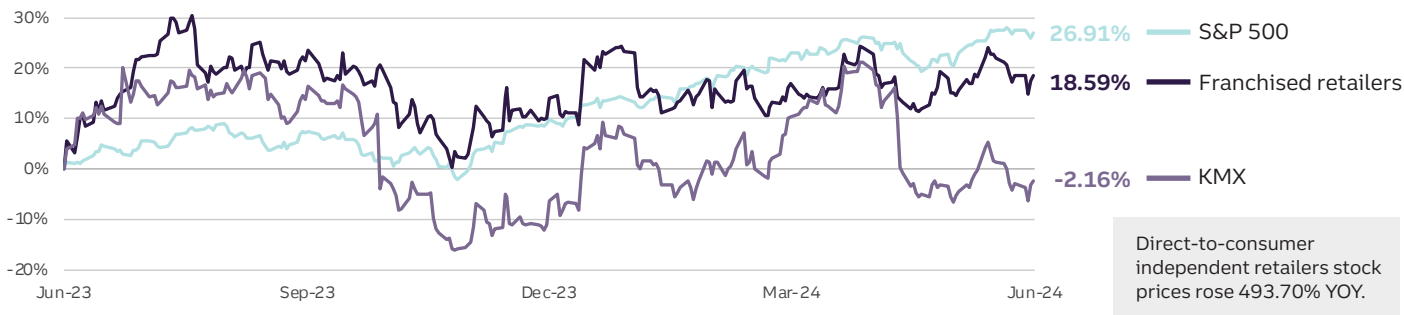
P/2024E & 2025E earnings



EV/2024E & 2025E EBITDA



1-year stock price performance



Source: Capital IQ. Market data as of 5/31/2024. Note: Franchised auto retailers index includes AN, ABG, GPI, LAD, PAG, SAH, and TSX:ACQ; DTC independent retailers index includes CVNA and VRM.

Truist Blue Sky Index

Franchised dealership buy-sell Blue Sky multiples remain constant, with struggling brands seeing slight decreases.

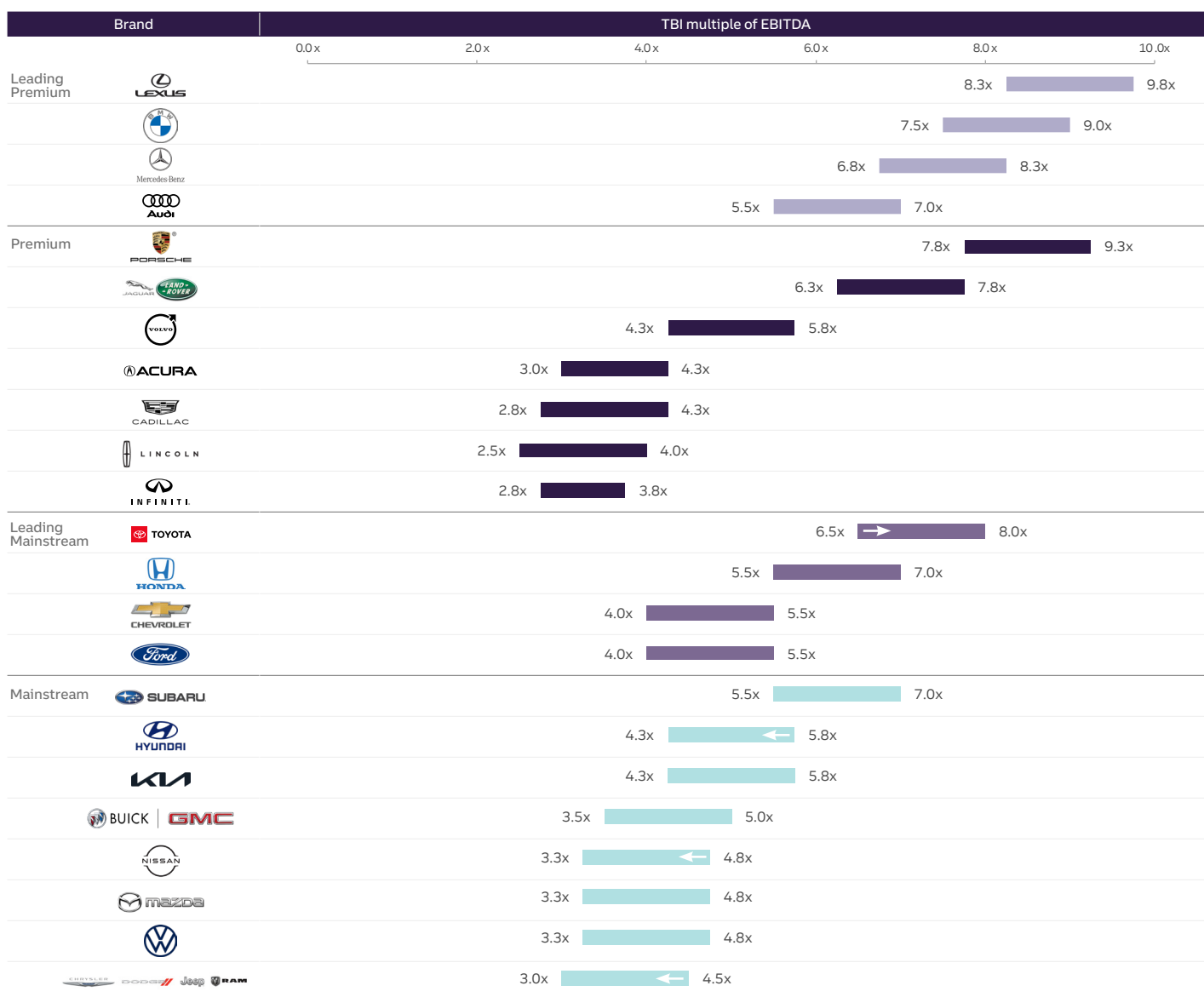
Truist estimates for brand valuation include a mix of precedent transactions, Truist Blue Sky Index survey results, and industry observations.

The automotive dealership industry continues to see major consolidation, driven by retiring dealer principals and shareholder conflict among legacy owners and founders. As the next generation of owners is poised to take over, diverging opinions on the future have prompted many dealerships to seek monetization through M&A transactions to secure their future or resolve any conflicts. Declining profits, caused by a slip in gross profits per vehicle and increasing inventory, are resulting in valuations sliding slightly from their 2022 highs.

Although blue sky multiples remain stable and premium assets continue to receive premium valuations, several headwinds are tempering the M&A outlook. Continued high interest rates place upward pressure on the cost of acquisition capital and real estate cap rates, raising financial barriers for

prospective buyers, and macroeconomic uncertainty introduces caution into M&A decisions. Additionally, many dealerships face a significant capital expenditure burden in adapting to electric vehicle infrastructure, which can divert resources from M&A pursuits. EV products and high-end ICE models of certain brands have built up higher than average inventories, calling into question the expenses mandated to outfit dealerships for electric vehicles. Rising inventory costs are beginning to be mitigated with OEM incentives, lowering overall profits but keeping sales up near or above all time highs.

Well-performing dealerships of highly coveted brands will continue to see premium valuations, while less fruitful dealerships will start to see drops in their multiples.



The table represents our estimate of the multiple of earnings before interest, taxes, depreciation, and amortization (EBITDA) that a motivated buyer participating in a competitive sales process would pay to acquire the goodwill or blue sky portion of a franchised dealership. Public and private transaction data was supplemented with a survey of Truist's dealership clients to inform the valuation ranges. The multiples reflect the estimated standalone value of a brand and do not include dealership-specific adjustments or any dealer group "consolidation premium," which typically adds an incremental 0.5x - 1.0x to the implied blue sky value of the group.

Source: The Banks Report, Cox Automotive, industry news.

Note: Arrows inside valuation multiples show change in value from last Truist Dealer Insider edition.

Truist Securities Automotive Retail capabilities

Sell-side advisory

- Exclusive sell-side advisory role
- Evaluation of potential or existing unsolicited offers
- Negotiation of terms and conditions
- Manage an organized and competitive marketing process in either a targeted or broad auction format depending on client concerns and objectives
- Broad access to financial sponsor/family office investors interested in automotive retail

Buy-side advisory

- Advisory role for buyer when evaluating an identified and actionable acquisition
- Valuation analysis to support the acquisition
- Negotiation of deal structure and key terms
- Coordinated effort with financing team to evaluate optimal pro forma capital structure

Financial advisory/capital raising

- Advisory services to determine best strategic alternative
- Private capital-raising initiations to support growth or selling to minority holders
- Recapitalizations to facilitate management buyouts or succession planning
- Leading equity platform provides a breadth of experience to advise on any equity offering

Select recent automotive transactions

<p>\$675,000,000</p>  <p>Joint Bookrunner Senior Notes</p> <p>May 2024</p>	<p>Mercedes-Benz of Hilton Head Hilton Head Honda</p> <p>Sale to GROUP 1 AUTOMOTIVE</p> <p>Sell-Side M&A Advisor</p> <p>March 2024</p>	<p>Undisclosed</p> <p>Holman</p> <p>Joint Bookrunner/ Joint Lead Arranger</p> <p>Senior Secured Credit Facilities</p> <p>March 2024</p>	<p>FEP FRANCHISE EQUITY PARTNERS</p> <p>has made a minority investment in</p>  <p>Exclusive Private Placement Agent</p> <p>April 2023</p>	<p>Friendly</p> <p>Sale to Ken Ganley AUTO GROUP</p> <p>Buy-Side M&A Advisor</p> <p>April 2023</p>	<p>BRADSHAW</p> <p>Sale to ANDERSON Automotive Group</p> <p>Sell-Side M&A Advisor</p> <p>January 2023</p>	<p>LARK NORMAN CHRYSLER DODGE JEEP RAM GASTONIA CHRYSLER DODGE JEEP RAM</p> <p>Sale to PARKS AUTOMOTIVE GROUP</p> <p>Buy-Side M&A Advisor</p> <p>January 2023</p>
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