

Dealership M&A and valuation overview

Recent noteworthy deals in auto retail M&A

Anderson Automotive Group acquires Bradshaw Automotive.

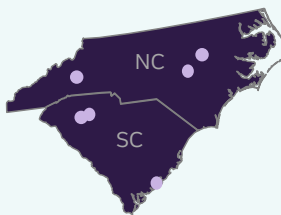


Announced: February 1, 2023
Transaction value: Undisclosed

"We are eager to bring our company's culture, values, and high level of service to a new market, meet new customers, and work with new brands. I would like to also thank the Bradshaw family for this opportunity. They built an excellent business based on a deep commitment to their employees, customers, and community. We plan on building upon that legacy in the Upstate region."

– Anderson Auto CEO Michael Anderson

Anderson Automotive footprint

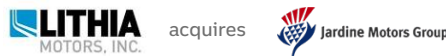


13 dealership locations

Observations and takeaways

- Acquisition includes a Chevrolet Buick-GMC-Cadillac store in Greer, SC and Honda, Acura, Infiniti, and Mazda stores in Greenville, SC. Acquired dealerships will be rebranded under the Anderson name.
- The deal expands Anderson Automotive's footprint in the Carolinas and increases the total number of dealerships from 8 to 13, further establishing Anderson Automotive as one of the largest auto groups in the Southeast.
- Bradshaw Automotive Group was founded in 1979 and is headquartered in Greer, SC.
- Anderson Automotive was founded in 1955 and is headquartered in Raleigh, NC.

Lithia & Driveway (NYSE:LAD) acquires Jardine Motors.

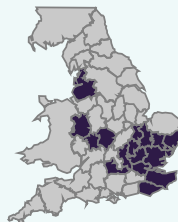


Announced: March 16, 2023
Transaction value: Undisclosed

"Jardine's complementary leadership team, business model, sound financial performance and excellent OEM relationships make this group the ideal partner for our expansion into the United Kingdom. As part of our broader growth plan, we firmly believe the combination of our two businesses will deliver significant value for employees, partners, and customers alike."

– Lithia & Driveway CEO Bryan DeBoer

Jardine UK footprint



Jardine operates dealerships across several counties in the UK.

Observations and takeaways

- Acquisition represents LAD's entry into the United Kingdom after terminating their acquisition attempt of one of UK's largest automotive retailers, Pendragon PLC (LSE:PDG), in 2022.
- Equips LAD with agency model experience, including working with the manufacturer under the agency model construct.
- Jardine Motors will serve as a growth platform by adding over 50 complementary premium luxury retail locations for brands including Audi, Aston Martin, BMW, Mini, Jaguar, Land Rover, McLaren, Mercedes-Benz, Porsche, and Ferrari.
- The transaction brings LAD's 2023 annualized revenue to over \$2.1 billion.

Parks Automotive Group receives investment from Franchise Equity Partners (FEP) and acquires two CDJR dealerships.

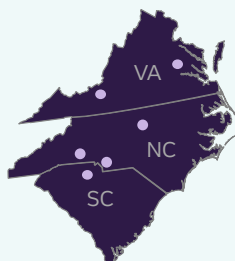


Announced: January 19, 2023
Transaction value: Undisclosed

"We are excited to have the opportunity to partner with the many talented associates at the Lake Norman and Gastonia Chrysler-Dodge-Jeep-RAM dealerships. They have done an impressive job selling and servicing their markets, and their culture matches up perfectly with our organization."

– Parks Automotive President Adam Parks

Parks Automotive footprint



13 dealership locations

Observations and takeaways

- Acquisition of Lake Norman and Gastonia Chrysler-Dodge-Jeep-Ram represents Parks Automotive Group's first CDJR dealerships and expands the group to 13 dealership locations across North Carolina, South Carolina, and Virginia.
- The Lake Norman retailer is a high-performer amongst Stellantis dealerships and will relocate to a new 55,000-square-foot facility.
- The Gastonia dealership strengthens Parks Automotive Group's presence on I-85 and narrows the existing geographical coverage gap between Charlotte and Spartanburg.
- The transformative transaction was reinforced by FEP's second dealership group investment since launching in November 2021, allowing Parks Automotive Group to enhance its footprint within the Charlotte area.

Summary of recent transactions in the auto dealership space					
Announced date	Acquirer	Target	Region	Target stores	Transaction commentary
5/23/2023	Franchise Equity Partners (FEP)	Parks Automotive Group	Southeast	NA	FEP makes \$55 million capital investment in newly formed joint venture. The investment supports Parks Automotive Group's acquisition of two Stellantis stores near Charlotte, NC in January 2023.
5/8/2023	Group 1 Automotive	Beck & Masten Buick-GMC	Southwest	3	Group 1 expands its presence in Texas to 55 dealerships through acquisition of three high volume stores with expected annual revenues of \$760 million.
5/4/2023	The Khoury Group	Don Elliott Auto World	Southwest	3	The acquisition of Don Elliott's Chevrolet, GMC, and Ram brands expands The Khoury Group's operations to 20 dealerships carrying 11 brands throughout Texas.
5/2/2023	Go Auto	Richmond Chrysler	Canada	1	Go Auto's footprint expands to 61 dealerships covering 28 brands and strengthens its presence in Lower Mainland, Canada alongside other premium and import brands.
5/1/2023	Leslie Doggett Industries	Kinsel Auto	Southwest	4	The acquisition included Kinsel's Toyota, Ford, Lincoln, and Mazda dealerships. Leslie Doggett's dealership are complemented by its John Deere and Toyota Material Handling segments.
4/18/2023	AutoCanada	Premier Chevrolet, Cadillac, Buick-GMC	Canada	1	AutoCanada announced the acquisition of its third dealership in Windsor, expanding its relationship with General Motors. The deal also included a collision center.
4/18/2023	Flow Automotive Companies	Umansky Automotive Group	Southeast	8	Flow Automotive adds several premium brands such as Audi, BMW, Mazda, Porsche, and Volkswagen brands in the Charlottesville area.
4/5/2023	Vann York Auto Group	Strider Subaru, Strider Buick-GMC	Southeast	2	The addition of Strider's dealerships in Asheboro represents Vann York's 7th and 8th dealership locations.
4/4/2023	Ken Ganley Automotive Group	Friendly Kia	Southeast	1	Ken Ganley, the largest dealer group in Ohio, expands its presence in Florida through the acquisition of Friendly Kia, the top volume Kia dealership in Florida.
3/28/2023	Group 1 Automotive	Estero Bay Chevrolet	Southeast	1	Estero Bay Chevrolet ranks fifth in new-vehicle volume among Florida Chevrolet dealerships and is expected to generate \$150 million in annual revenues.
3/20/2023	Murgado Automotive Group	Motor Werks Auto Group	Great Lakes	6	Murgado expands its presence in Illinois through the acquisition of premium and import brands including BMW, Cadillac, Honda, Infiniti, Porsche, and Mercedes-Benz dealerships.
3/15/2023	Swickard Auto	Anderson Autos of Thousand Oaks	West	2	The acquisition of the Buick, GMC, Cadillac, and Chevrolet store is the continuation of Swickard's late 2022 acquisition of a total of five Anderson dealerships.
2/13/2023	Team Automotive Group	Addy's Harbor Dodge Ram Fiat	Southeast	1	The acquisition expands Team Auto Group's presence in the Carolinas and their first store in South Carolina brings the Team Auto Group to a total of seven dealerships.
2/9/2023	Foundation Automotive	Crossroads CDJR	Southwest	1	Crossroads CDJR is based in Texas and is the second dealership sold to Foundation by Glascock, Flores, Godwin, and Wagoner.
2/9/2023	Lithia & Driveway	Acura of Thornhill	Canada	1	The acquisition marks Lithia's 15th dealership in Canada and its latest Canadian acquisition since mid-2022. Lithia entered the Canadian market in 2021.
2/1/2023	Go Auto	Mercedes-Benz of Bellingham and Toyota of Bellingham	West	2	The Bellingham dealerships are Go Auto's first stores in the United States. The acquisition expands Go Auto's brands to include Mercedes-Benz.

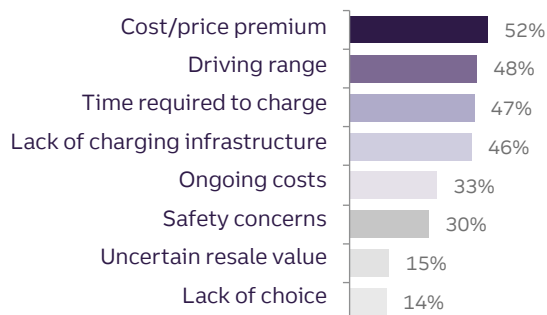
Source: Industry news.

EV adoption and its potential impact on dealership fixed operations

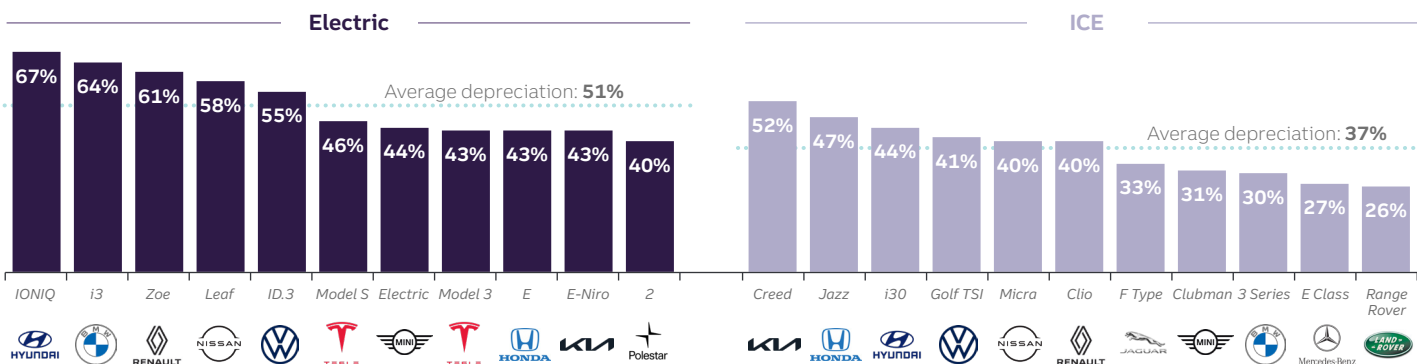
Resale value adds to EV adoption headwinds.

- The number of consumers who say they are unlikely to buy an EV is up 3% in 2023, while those likely to buy one remains flat. Adoption forecasts are varied and range from 40% to 50%+ of new car sales by 2030. While some believe we are in the decade of EVs, consumers are increasingly hesitant to pivot from the familiarity of ICE vehicles.
- More aggressive forecasts believe government policies such as federal tax credits will drive EV demand while recent depreciation statistics reveal that EV purchases may be slowed by lower EV residual values.
- EVs are depreciating at an accelerated rate to that of ICE vehicles, losing more than half their value in just three years. The trend is expected to continue until more EVs hit the road and stabilize depreciation rates.

2023 U.S. consumer EV adoption concerns



3-year vehicle depreciation: 2020 – 2023



EVs impact on fixed operations remains unclear.

- Vehicle service and repair is a major component of dealership revenue and profitability, and EV adoption presents an opportunity for franchise dealers while also introducing risks to the current business model.
- Although EV adoption is underway, a full transition will take time, and ICE vehicles will remain on the roads for decades. Fixed operations revenue from ICE vehicles will continue well into the future, benefiting both independent repair shops and franchised dealers who offer new, used, and repair services.

+ Potential opportunity

- **Increased revenue service per hour**
EVs are equipped with more complex sensors and instruments, requiring advanced service capabilities and greater demand for parts.
- **Franchised groups as preferred service providers**
Franchised dealers of scale can leverage efficiencies to offer specialized technicians and equipment to gain competitive advantage over small and independent dealers.
- **Incremental revenue streams**
Dealers can maintain existing lines of business and diversify into opportunities such as over-the-air (OTA) services.

- Potential risk

- **Reduced service and maintenance**
High potential for reduced revenue from servicing EVs versus ICE vehicles due to lower wear and tear per mile driven.
- **Increased capex spend**
EVs require greater technical skills and specialized service equipment, calling for significant investment.
- **Potential disruption to current business**
OTA software and software as a service (SaaS) may reduce trips to dealerships, and the dealer/OEM revenue share model is yet to be determined.

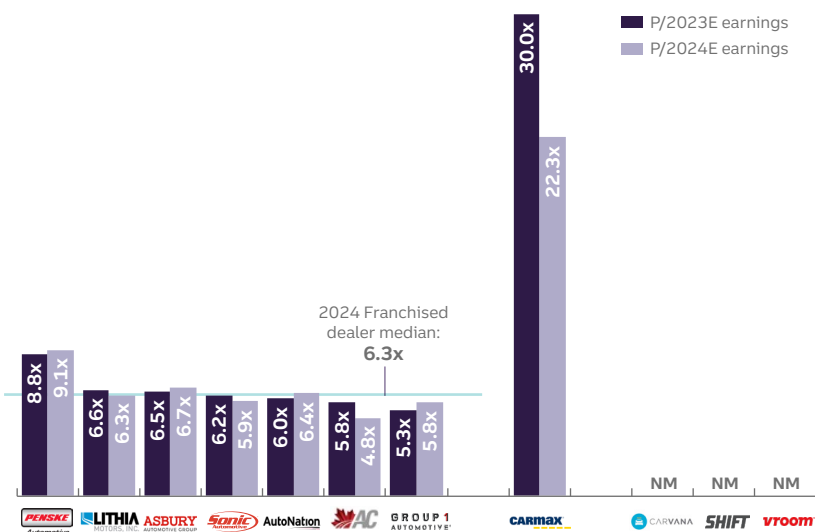
Source: [Over-the-air vehicle updates can help dealership service departments, Automotive News, December 15, 2019](#); [Electric Car Depreciation, choosemycar.com, accessed April 2023](#); [Deloitte 2023 Global Automotive Consumer Study](#); [Are EV sales declining? Electrifying the car market may be getting harder. Here's why USA Today, May 8, 2023](#); [Will EVs Dent the Auto Repair Business?, Wall Street Journal, May 12, 2023](#).

Public dealership valuation and performance

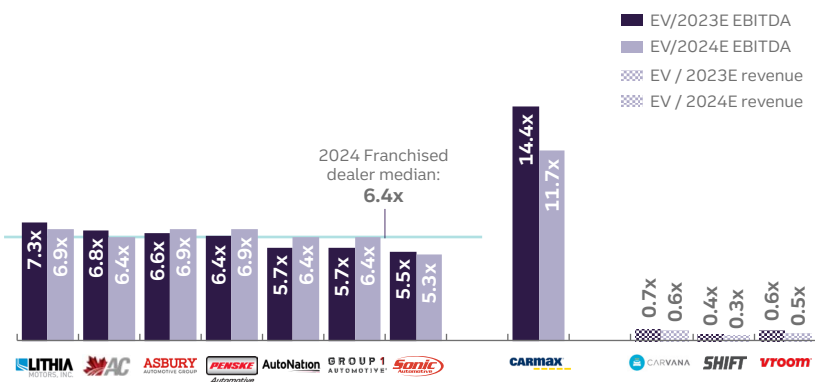
Market commentary

- Valuation multiples remain compressed because of ongoing supply challenges, high interest rates, and risk of a potential recession. Franchise dealer comps vary with Asbury Automotive Group (NYSE:ABG) and Lithia Motors (NYSE:LAD) trading down recently relative to peers.
 - Investor concerns of exposure to Stellantis have impacted ABG. Unlike other manufacturers, Stellantis has continued producing at an elevated pace, resulting in an oversupply of new vehicles pressuring margins.
 - LAD shares the same Stellantis concerns, in addition to weaker results from its captive finance company, Driveway Finance Corporation, which is expected to post a \$40 million loss this year. The loss mainly results from a reclassification of net charge-offs, not a deterioration in core loss expectations.
 - A resilient parts and service category is providing earnings sustainability, and continued growth is expected as miles driven increases with a challenging affordability backdrop supporting maintenance demand.
- Direct-to-consumer (DTC) independent retailers saw equity valuations collapse in late 2022 when investors shifted to favoring cash flow positive assets amidst an inflationary environment. Valuations have recovered a portion of those losses as interest rate increases and recessionary fears have waned.
 - After losing ~93% of its market cap, Carvana (NYSE:CVNA) has recovered a portion of those losses, largely by easing solvency concerns with a \$1B debt-to-equity exchange.

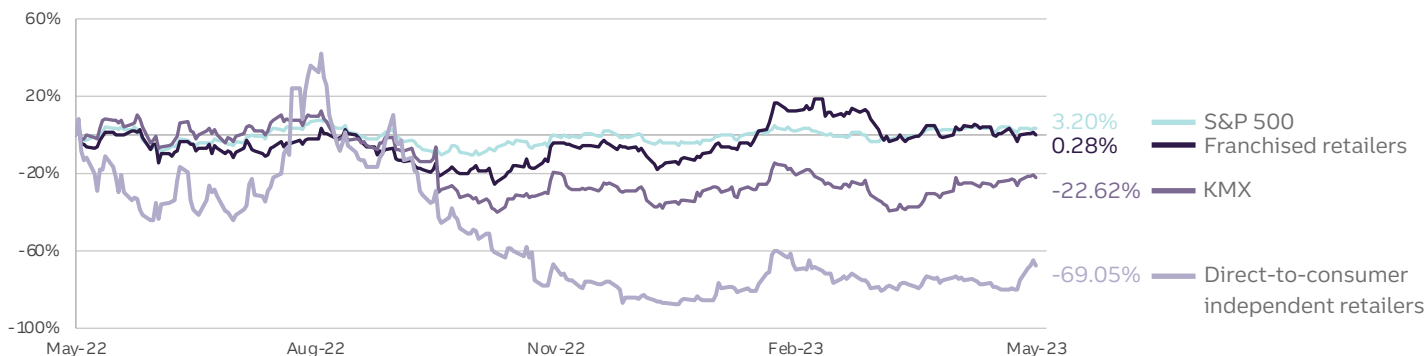
P/2023E & 2024E earnings



EV/2023E & 2024E EBITDA



1-year stock price performance

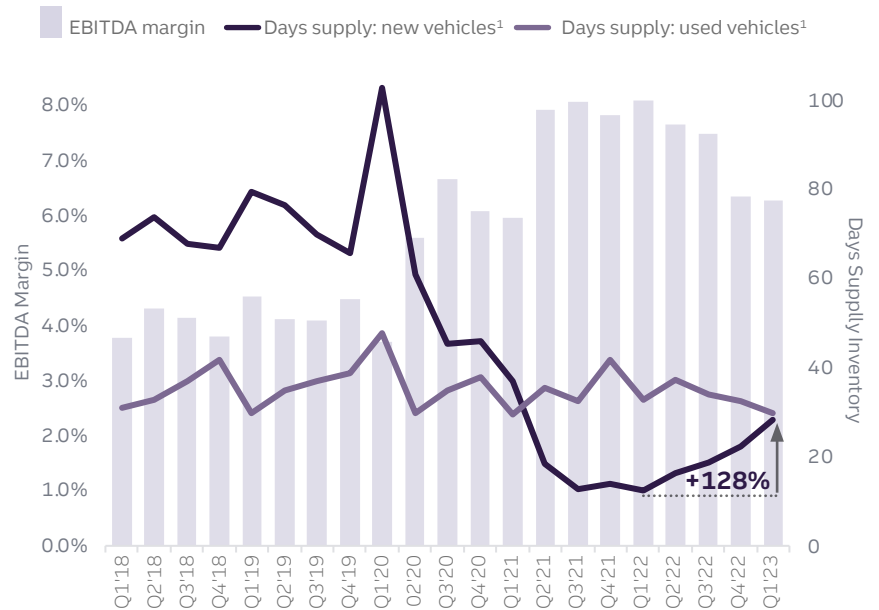


Source: Capital IQ.
 Market data as of 5/15/2023.
 Note: Franchised auto retailers index includes AN, ABG, GPI, LAD, PAG, SAH and TSX:ACQ; DTC Independent retailers index includes CVNA, SFT and VRM.

Public dealers experience increased supply.

- For the past couple of years, low supply and high demand allowed dealers to capture increased front-end margin on both new and used vehicles. Profit margins expanded 3x–4x when reduced inventory coupled with strong demand diminished consumers' bargaining power at the dealer.
- New vehicle supply is trending higher with domestic brands close to full production, while import supply remains tight. However, sale prices continue to move higher while incentives remain at historical lows, suggesting that underlying demand remains strong.
- Strong pricing, relatively low inventory, and high consumer demand are supportive of dealer profit margins in the near term.
- Demand for used vehicles has been resilient with used vehicles serving as an alternative to buying new given economic headwinds and limited incentive support from OEMs so far this year.

Publicly traded franchised auto retailers EBITDA margins and days supply inventory

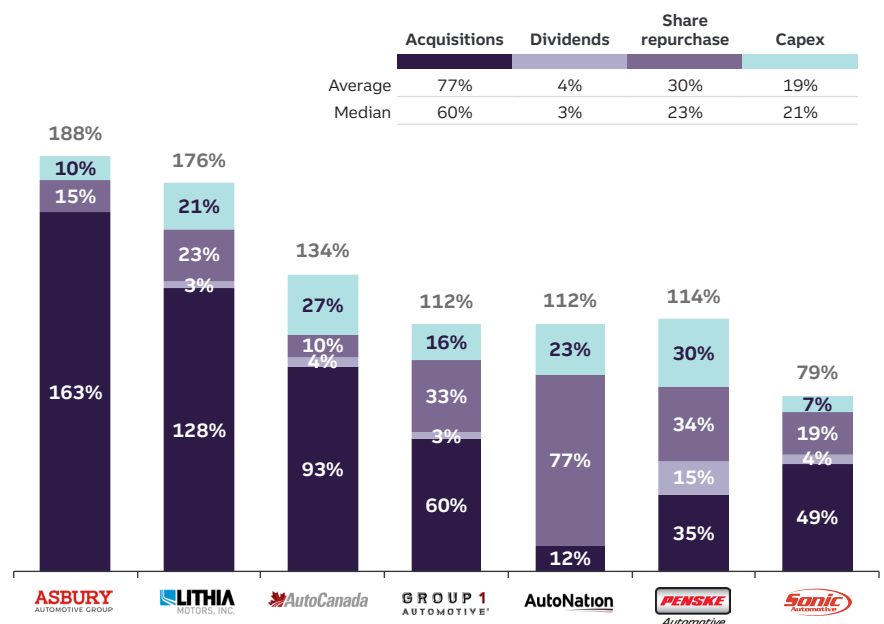


¹ New and used days supply not available for GPI Q1'18–Q1'20 and PAG Q1'18; New days supply not available for SAH Q1'18–Q3'18, Q1'19–Q3'1, and Q1'20.

Capital allocation is poised to swing back to acquisitions.

- Cash generation and balance sheet strength drove high capital allocations over the last five years. Additionally, Asbury, Lithia, and AutoCanada took advantage of periods of low interest rates and access to external funds by deploying capital beyond their generated free cash flow.
- Public dealers have prioritized deploying capital for acquisitions, with AutoNation being the notable exception. Following heightened acquisition spending from 2020–2021, share repurchases have increased. However, acquisition prioritization over repurchases may resume as prices moderate.
- More recently, public dealers have remained disciplined, with capital allocation strategies driven by a returns-based framework that deploys a balanced allocation of repurchases and acquisitions. To a lesser extent, capital is also being returned to shareholders and used for capital expenditures.

5-Year capital allocation for public dealers



Data as of FYE 12/31/18 through FYE 12/31/22

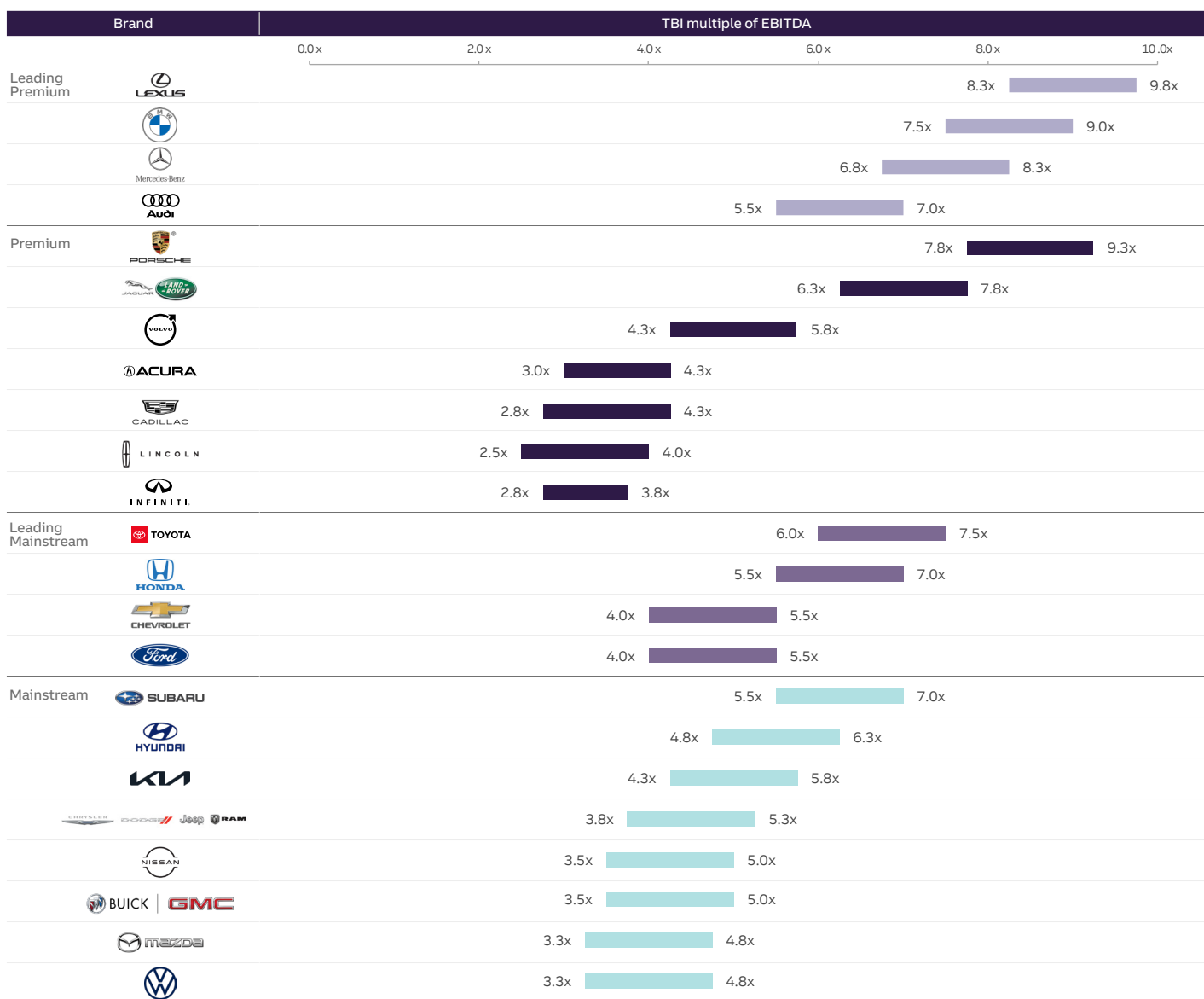
Truist Blue Sky Index

Franchised dealership buy-sell Blue Sky multiples trend higher over prior year.

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

The volume of dealership buy-sell transactions remains robust, and over the last twelve months, the industry has experienced a broad increase in blue sky multiples paid for franchised dealerships. This positive trend reflects the competitive nature of recent transactions stemming from well-capitalized buyers pursuing desirable assets. Franchised dealerships that exhibit strong new and used sales volume, increasing market share, efficiency gains post-COVID, and investment in facility EV and service capacity upgrades are well-positioned for future growth despite potential macroeconomic headwinds. Smaller tuck-in or larger acquisition prospects present synergistic opportunities for dealership consolidators, often providing a lift to the final purchase price. Hyundai and Kia brands have demonstrated strong recent performance, leading to increased buyer interest and an outsized increase in blue sky value.

The valuation disconnect between buyers and sellers has narrowed, but disagreements remain with respect to future performance. While brand blue sky multiples are generally agreeable, estimating appropriate multiplier often incorporates various assumptions to forward performance. Risks surrounding macroeconomic uncertainty, rising interest rates for both consumers and floorplan expense, and increasing vehicle inventory remain, but growth-minded dealers continue active consolidation of the space.



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: Truist Bank, industry news.

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

 has made a minority investment in  Private Placement Agent May 2023	 Sale to  Buy-Side M&A Advisor April 2023	\$2,800,000,000  Co-Manager Acquisition Financing March 2023	 Sale to  Sell-Side M&A Advisor January 2023	 CHRYSLER DODGE JEEP RAM GASTONIA CHRYSLER DODGE JEEP RAM Sale to  Buy-Side M&A Advisor January 2023	\$175,000,000   Lead Arranger/ Lead Bookrunner Senior Secured ABL Revolving Credit Facility July 2022	 Sale to  Sell-Side M&A Advisor December 2021
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Truist Securities Automotive Retail team



James (JT) Taylor
 Managing Director
 Head of Automotive Retail
 954-415-9105
 jt.taylor@truist.com



Eddi Zyko
 Director
 404-439-9721
 eddi.zyko@truist.com



Don Lambing
 Vice President
 678-480-3417
 don.lambing@truist.com



Doug Roberts
 Associate
 404-804-5078
 doug.roberts@truist.com



Andrew Ma
 Analyst
 407-810-2005
 andrew.ma@truist.com



Securities