Kerrigan Advisors’ Recent Florida Transactions

89 Dealerships Sold Nationwide in Five Years
More than Any Other Firm in the Industry

“We appreciate the professionalism and hard work of Kerrigan Advisors that ensured that this transaction got done.”

John Fields
CEO of Fields Automotive Group

“We Kerrigan Advisors has specialists for every part of a complicated transaction. They ensure the numbers and details of the deal are perfect for a smooth close.”

Billy Fuccillo Jr.
Seller of Fuccillo Nissan of Orange Park

Kerrigan Advisors has the honor of advising the industry’s leading dealers through the lifecycle of growing, operating and, when the time is right, monetizing their businesses.

If you would like to learn more about our firm, please contact Erin Kerrigan or Ryan Kerrigan at (949) 202-2200 or visit www.KerriganAdvisors.com.
DEALERSHIP ACQUISITION ACTIVITY

The first quarter buy/sell market declined by 9.3% as compared to the first quarter of 2019 (see Chart I). After a strong start to the year, buy/sell activity came to a standstill in mid-March as US auto retailers abruptly refocused their energy on internal operations and cash preservation due to the coronavirus. With the industry in crisis mode, transactions slated to close at the end of the quarter were postponed, renegotiated or, in the worst case, terminated. The most notable termination was Asbury Automotive Group’s $1 billion acquisition of Park Place Dealerships, which was slated to close by the end of March and expected to jump start a record year of buy/sell spending.

Since mid-March, the coronavirus pandemic has caused financial whiplash in auto retail. Before the pandemic precipitated an economic shutdown, US dealerships were tracking to near record earnings (see Chart II), approaching 2015’s peak level for the first time in five years. Dealers conveyed great optimism coming out of the February 2020 NADA convention and transaction activity was expected to follow suit with strong buyer demand and attractive valuations based on 2020 earnings expectations. That optimism abruptly ended on March 15th as dealership showrooms shuttered and stay-at-home orders proliferated throughout the US. Auto sales plummeted 15% in March and a further 39% in April, resulting in one of the sharpest declines in month-over-month dealership earnings on record (see Chart III on the following page).
As steep as the financial decline was for auto dealerships at the end of the first quarter, there are reasons to be optimistic about the industry’s resilience in the face of a crisis and its growth prospects coming out of the pandemic. The flexibility and sustainability of the dealership business model has proven its ability to overcome the most insuperable economic times. It is important to remember that even in the depths of the Great Recession, auto retailers remained profitable despite a 50% decline in new vehicle sales. Most critically, auto sales led the economy out of the Great Recession, outperforming total retail sales by 35% during the five year period after the crisis (see Chart IV) and dealership earnings rose at a 30.5% compounded annual growth rate (CAGR) from 2008 to 2012, 12.6 times faster than GDP growth during that period (see Chart V on the following page).
Auto dealership earnings grew at a 30.5\% compounded annual growth rate (CAGR) coming out of the Great Recession, 12.6 times faster than US GDP, returning to pre-recession earnings by 2009.

Auto retail valuations also outpaced the financial markets after the Great Recession. The Kerrigan Index™, which is comprised of the seven publicly-traded auto retailers in the US, outperformed the S&P 500 by 390\% between January 2009 and June 2015 (see Chart VI). The biggest driver of auto retail’s valuation rebound was the industry’s ability to remain profitable during the Great Recession and its impressive earnings growth relative to the rest of the US economy in the year’s following. Wall Street took note of the resilience of the auto retail business model and rewarded these companies with higher valuations.

**Chart VI**

The Kerrigan Index™ vs. S&P 500 (rebased)

Source: Yahoo Finance, YCharts, Kerrigan Advisors Analysis

The Kerrigan Index™ outperformed the S&P 500 by 390\% between 2009 and 2015.

**Methodology:**

The Kerrigan Index™ is composed of the seven publicly-traded auto retail companies with operations focused on the US market, including CarMax, AutoNation, Penske Automotive Group, Lithia Motors, Asbury Automotive Group, Group 1 Automotive and Sonic Automotive. The Kerrigan Index™ is weighted by the market capitalization of each company and benchmarked at 100 on 1/3/2000.
While today’s global health crisis is impacting auto retail in different ways from the Great Recession, these differences are for the most part to the benefit of the industry. Out of the gate, industry partners, vendors, lenders and OEMS have provided dealers with tremendous financial and administrative support to ensure they weather the financial impact of lost sales and avoid closure. For this reason, the health crisis here-to-date has caused few distressed sales despite draconian government measures to stop economic activity. Rather, dealers are being supported by their industry partners and collaborating to ensure a smooth reopening and a return to functioning operations and sales.

“In the OEMs are being so supportive.”
Roger Penske, Chairman & CEO
Penske Automotive Group
First Quarter 2020 Earnings Call

In addition, the Federal Reserve and the federal government moved at a record pace to ensure the credit markets continued to function and businesses could stay afloat. Congress also made sure consumers had an economic cushion to weather the financial impact of the crisis. These actions included: (i) reducing the Federal Funds Rate by 100 basis points to zero on March 15th; (ii) reinstating the TALF program to support auto loan and floorplan financing on March 23rd; (iii) approving $560 billion in stimulus checks to consumers on March 25th, and (iv) creating the Paycheck Protection Program (PPP) to support the costs of payroll, rent, utilities and mortgages on March 27th. The record pace with which the US government reacted to the coronavirus crisis contrasted notably with the Great Recession. By way of perspective, the original TALF program took nearly 12 months for Congress to approve in 2009.

“We have not seen any tightening in the credit market.”
Chris Holzshu, Executive Vice President & COO
Lithia Motors
First Quarter 2020 Earnings Call

While few doubt auto retail’s ability to rebound, there will still be challenges to overcome, particularly as the economy works its way out of record unemployment, inventories remain limited due to production delays and dealers adapt to operating during a health pandemic. This said, a recovery already seems to be in the works with many public and private retailers reporting strong sales in May and expectations for earnings growth for the remainder of 2020. Most notably, the capital markets are experiencing a surge in auto retail valuations. Since bottoming on March 18th, The Kerrigan Index™ has risen an impressive 81.2%, outperforming the S&P 500 by 25% (see Chart VII on the following page).
Chart VII
The Kerrigan Index™ (January-May 2020)
Source: Yahoo Finance, YCharts, Kerrigan Advisors Analysis
See Chart V on page 5 for Methodology for The Kerrigan Index™

Since declining 54.6% from its 2020 peak, The Kerrigan Index™ has rebounded 81.2% through the end of May.

The automotive recovery is underway.

Mike Jackson, Chairman and Acting CEO
AutoNation
First Quarter 2020 Earnings Call

One silver lining of the crisis is that it has become a catalyst for positive changes in auto retail. Dealers are accelerating their use of technology to increase sales per employee and reduce their expense structure while improving the customer experience and increasing operational efficiencies. This is all happening as some risk factors to the auto retail business model have been unexpectedly thrust into the future. Ridesharing platforms, subscription services, autonomous vehicles, and even electric vehicles are increasingly sidelined, as OEMs and other industry players refocus their energies and capital on today’s profitability over tomorrow’s industry disruption.

“We’re seeing with the dealership of the future, you can certainly be more efficient, and you can be a flatter organization with less cogs in the wheel, the more transactions and transparency that you have online.”

David Hult, President & CEO
Asbury Automotive Group
First Quarter 2020 Earnings Call

Perhaps it is for these reasons that Kerrigan Advisors has seen a surge in buyer and investor interest in dealerships, a trend we will discuss in the Buy/Sell Trends Section on page 18. Buyers and investors see an opportunity for tremendous earnings growth in auto retail in the near future, not only as a result of a rebound in car sales, but also from newfound efficiencies and reduced friction in the business model. Also, there is an expectation that the crisis will bring more sellers to market, particularly single point dealers who are uninterested in reengineering their business to the inevitable post-pandemic digital sales environment.
In terms of valuation expectations for 2020, given strong buyer demand and today’s low cost of capital, Kerrigan Advisors does not expect to see dramatic changes in blue sky values in the foreseeable future, despite the economic impact of COVID-19 in the first and second quarter. While the coronavirus will undoubtedly force some distressed dealership sales of weaker franchises and over-levered dealers, those one-off valuations are not a reflection of the overall market. For the most part, dealers can maintain profits even in the worst of times and patiently wait for a buyer to reach their valuation expectations, particularly in the case of the strongest franchises. As such, the most likely impact of COVID-19 is a slower buy/sell market in the second and third quarter of 2020, rather than a decline in valuations, with the potential for a rebound in buy/sell activity by the fourth quarter as auto sales rise and buyers seek to put their capital to work.

“Consolidation opportunities within our industry remain plentiful, allowing us to continue to grow rapidly.”

Bryan DeBoer, President & CEO
Lithia Motors
First Quarter 2020 Earnings Call

With this overview of the first quarter, Kerrigan Advisors has identified the following three trends, which we expect to meaningfully impact the buy/sell market for the remainder of 2020.

- Sellers’ blue sky pricing expectations exclude COVID-19 financial impact
- Surge in buyer/investor demand due to industry growth prospects and low cost of capital
- Buy/sell activity by state diverges based on level of economic shutdown

The Blue Sky Report® is informed by Kerrigan Advisors’ nationwide experience enhancing the value of the industry’s leading dealership groups through the lifecycle of growing, operating and ultimately selling their businesses. In the past five years, our firm has represented on the sale of the industry’s largest transactions throughout the US, including five of the Top 100 Dealership Groups, more than any other firm in the industry. We do not take listings, rather we develop a customized sales approach for each client to achieve their transaction and financial goals.

We have had the honor of advising auto retail’s leading families on their growth strategies, capital allocation plans, operations, real estate and the sale of their valuable businesses. Our team oversees and manages our client engagements from beginning through a successful outcome. In our view, dealerships are far too valuable to be advised any other way.

We hope you find the information presented in this quarter’s report helpful to your business. We look forward to answering any questions you may have regarding The Blue Sky Report, The Kerrigan Index™ or Kerrigan Advisors’ strategic consulting, capital raising and sell-side services.
Total Acquisition Activity

There were 49 dealership buy/sell transactions completed in the first quarter of 2020, a 9.3% decline over the first quarter of 2019 (see Chart VIII). Most of these transactions occurred in the first two months of 2020, with almost no buy/sells closing after March 15th. Our firm expects the second quarter of 2020 to be the slowest buy/sell market in recent history as many transactions that were slated to close were either postponed, delayed due to renegotiation or, in the worst case, terminated.

Chart VIII
Total Number of First Quarter Completed Dealership Transactions
Source: The Banks Report, Kerrigan Advisors Analysis

The first quarter of 2020 got off to a strong start. Most of the 49 buy/sells completed during the quarter occurred in January and February. However, transactions came to a standstill in the second half of March due to COVID-19, resulting in a 9.3% decline in buy/sell activity for the quarter.

Interestingly, of the 49 completed dealership transactions, 15 were multi-dealership transactions (see Chart IX), which is the highest number recorded in the first quarter since 2015. Kerrigan Advisors attributes the high level of multi-dealership transactions (31% of total transactions in the first quarter) to buyers’ access to attractive acquisition financing for large transactions pre-pandemic, a trend noted in our 2019 Full Year Blue Sky Report®, and to the strength of the auto retail industry coming into 2020. Kerrigan Advisors expects continued growth in multi-dealership transactions in 2020 and beyond, as more families with sizable dealer groups determine a sale is the most feasible estate plan for their multi-generation family business.

Chart IX
Total Number of Completed Multi-Dealership Transactions & Number of Multi-Dealership Transactions as a Percentage of Total Dealership Transactions
Source: The Banks Report, Kerrigan Advisors Analysis

The first quarter of 2020 saw a record number of multi-dealership transactions. Auto retail’s earnings growth coming into 2020, combined with buyers’ access to capital facilitated the completion of larger transactions in the first quarter, despite the effects of COVID-19 in the second half of March.
Among the franchises being acquired, domestics continued to dominate the buy/sell market in the first quarter of 2020, representing 57% of buy/sells and up an impressive 84% since 2015 (see Chart X). As noted in our 2019 Full Year Blue Sky Report, buyers are attracted to the return on investment (“ROI”) of domestic franchises given their lower blue sky multiples and highly profitable truck sales. Kerrigan Advisors continues to see a growing number of domestic dealers considering a sale in 2020. Many of these families have owned their dealerships for generations and some have determined the next generation is not willing or able to lead the family business in the future, particularly given the most recent shift to digital retailing caused by COVID-19.

Interestingly, import luxury’s buy/sell market share increased in the first quarter to 18%, up 12.5% over 2019’s level. Buyers are attracted to the high UIO count and strong fixed operations associated with many luxury franchises. Also, given today’s low cost acquisition financing, more well-funded buyers are willing and able to pay the high multiples associated with top luxury franchises. Of note, Lexus was the 7th most traded franchise in the buy/sell market in the first quarter (see Chart XI on the following page), representing 5% of the market (Since February 2019, Kerrigan Advisors has represented on the sale of five Lexus franchises, more than any firm in the industry). Many Lexus dealers are deciding the time is right to sell their franchises given today’s high values and strong buyer demand.

Kerrigan Advisors is the leading sell-side advisor to Lexus dealers nationwide.

5 Lexus Dealerships Sold in 1 Year

Kerrigan Advisors represented

LEXUS OF WAYZATA
sold to
Napleton

February 2019

Kerrigan Advisors represented

LEXUS OF MAPLEWOOD
sold to
Napleton

February 2019
In the first quarter, Chevrolet and CDJR dominated the buy/sell market. It should be noted that Ford's market share was only a quarter of Chevrolet's. Buyer demand for Ford, as noted in the Blue Sky Multiples section of this report, is on the decline, resulting in lower blue sky multiples and fewer buy/sells.
US Public Acquisition Activity

The US public auto retailers’ acquisition spending on US dealerships in the first quarter of 2020 was on track to be one of the highest on record with Asbury Automotive Group’s $1 billion planned purchase of Park Place Dealerships. However, with the onset of the global health pandemic, the public auto retailers’ stock prices plummeted 54.6% between February 20th (The Kerrigan Index’s 2020 peak) and March 18th (The Kerrigan Index’s 2020 bottom), returning to levels not seen since 2012 (see Chart XII). The dramatic reduction in the publics’ valuations in the first quarter eviscerated prior projections for record public acquisition spending in 2020.

Chart XII
The Kerrigan Index™ vs. S&P 500 Rebased
Source: Yahoo Finance, YCharts, Kerrigan Advisors Analysis
Note: See Chart V on page 5 for Methodology for The Kerrigan Index™

Asbury, after hitting a record stock price on December 19, 2020, saw its market capitalization sink below $1 billion on March 16th. The company was not alone, as Group 1 Automotive and Sonic Automotive also traded below a $1 billion market capitalization in March. Asbury’s dramatic reduction in valuation (see Chart XIII), coupled with the requirements of its capital raise, made the completion of the Park Place Dealerships acquisition by the end of the quarter untenable. On March 24, 2020, Asbury terminated the Park Place transaction, reversing the acquisition spending expectations for all of the publics in 2020.

Chart XIII
Historical Market Capitalization of Asbury Automotive Group (NYSE: ABG) $ in Billions
Source: YCharts, Yahoo Finance, SEC Filings

Asbury Automotive Group’s market capitalization declined 51% from the time of its announcement of the Park Place Dealerships acquisition to the time of the transaction termination, at which point its market capitalization was roughly equivalent to the contracted purchase price.
Despite the termination of the Park Place Dealerships transaction, the publics’ spending on US acquisitions in the first quarter of 2020 increased 11.5% compared to the first quarter of 2019 (see Chart XIV). Lithia and Asbury closed on two transactions in the first two months of 2020 for a total of $135M of acquisition spending. Lithia acquired two Lexus dealerships in the Sacramento, California market (Kerrigan Advisors represented the seller in these transactions) and Asbury expanded its presence in the Denver, Colorado market with the acquisition of a CDJR dealership.

As a result of the publics’ declining stock prices, their estimated blue sky multiples averaged just 2.8x at the end of the first quarter, 36.9% lower than Kerrigan Advisors’ average blue sky multiple and 54.8% lower than their average multiple at the end of 2019 (see Chart XV). At this level, few dealership acquisitions are accretive to earnings. As of April 30th, the publics’ stock prices had regained some of their lost ground, resulting in a 57.1% improvement in their blue sky multiples since March.
As a result of the publics’ rebound in valuation, Kerrigan Advisors expects these companies to increase spending on US dealership acquisitions by the fourth quarter of 2020. These future transactions may have more creative deal structures and terms going forward. For example, Lithia Motors noted in its first quarter earnings call that the company currently has 14 transactions under contract that are expected to close later this year and next year. These transactions are subject to earnings quality verifications, including the demonstrated return to 90-95% of pre-COVID-19 profits. In most of these transactions, Lithia also renegotiated the purchase of real estate, instead opting to lease the seller’s real estate at a below market capitalization rate of 4.0% to 4.5% (Kerrigan Advisors’ estimates current market capitalization rates at 7.0%, 55-75% higher than Lithia’s proposed rate).

The publics’ capital allocation in the first quarter shifted with a 121% increase in stock buybacks (see Chart XVI). Considering the pandemic, this shift is expected to be relatively temporary, as liquidity becomes a key focus in the second quarter. The public auto retailers have announced extreme cost cutting measures to preserve cash, including laying off employees, cutting executive pay, deferring capital expenditures, reducing outside services and minimizing advertising expenses. In addition, Penske announced the company is cancelling its second quarter dividend. Lithia has also made clear the company will opt for acquisitions over future stock buybacks to enhance its enterprise value post-pandemic.

“Acquisitions are a gift that keep on giving, which share buybacks only give once and ultimately don’t take us one step closer to that 5% market share.”

Bryan DeBoer, President & CEO
Lithia Motors
First Quarter 2020 Earnings Call
Private Acquisition Activity

In most industries, when public consolidators decline in value, private companies quickly follow suit. However, in auto retail, that is not usually the case. This valuation aberration is best explained by auto retail’s fragmentation. The publics represent an estimated 5% of dealerships (see Chart XVII) and a small minority of industry acquisitions (see Chart XVIII). As such, when their stock prices decline or experience extreme volatility, the immediate impact on private dealership valuations is relatively minimal. Private dealers typically hold, rather than sell, their businesses in challenging times. COVID-19 will undoubtedly force some distressed dealership sales; however, for the most part, dealers are able to sustain profits even in the worst of times and patiently wait for the valuation they seek. Thus, the most likely impact of declining public valuations is a temporary slowdown in 2020’s dealership buy/sell market both on the public and private side, though not a commensurate decline in private dealership valuations.

**Chart XVII**

**Percentage of US Dealerships Owned Private vs. Public (2019)**

*Source: SEC Filings, Automotive News, Kerrigan Advisors Analysis*

Private buyers continue to lead auto retail’s consolidation. They acquired 96% of the franchises sold in the first quarter of 2020 (see Chart XVIII). The pool of private buyers continues to expand with more next generation dealer operators partnering with professionally managed capital to fund acquisitions, expansion and innovation. Outside capital remains very attracted to the consolidation opportunity in auto retail – the largest and most fragmented retail industry in the US. Investors are particularly interested in the innovation opportunities that come with improved economies of scope and are increasingly seeking to support experienced operators to fund their growth plans. They see disruption to the retail business model as the potential catalyst to increase profits and take market share.

**Chart XVIII**

**Percentage of Dealership Franchise Acquisitions Private vs. Public (First Quarter 2020)**

*Source: The Banks Report, Kerrigan Advisors Analysis*

*Note: This chart reflects franchises, not dealerships. CDJR is counted as one franchise for this analysis.*
Dealership Real Estate

In the first quarter of 2020, commercial real estate values declined an estimated 10% due to the economic effects of COVID-19 (see Chart XIX). This decline could be temporary given the recent reduction in interest rates; however, there are dynamics at play in today’s commercial real estate market that may offset the benefits of a low interest rate environment. In particular, the permanent closure of retailers, restaurants, and entertainment venues due to COVID-19 could portend a sharp rise in property vacancies, which may lead to further reductions in commercial property values.

Consistent with the recent reduction in commercial real estate prices, dealership real estate values have declined slightly from their highs in 2018 (see Chart XX). This trend could reverse by 2021, as capitalization rates come under pressure due to declining interest rates, driving prices back up; however, if declining values in commercial real estate persist, dealership real estate will likely be impacted by lower comparable property values.
While a decline in dealership real estate values is potentially negative for sellers, moderating the ever-increasing dealership rent factors is critical to the industry’s financial health and future success. Prior to the pandemic, OEM facility demands were becoming less and less economic in an era of compressed new vehicle gross profit. With the recent rise in digital sales caused by COVID-19, OEMs are increasingly postponing their image program deadlines and refocusing dealers’ capital towards vehicle sales and investments in digital retailing strategies. This is particularly important as rent per new vehicle sold skyrocketed to an unprecedented $1,404 in March (see Chart XXI).

Chart XXI
Average Dealership Rent per New Vehicle Sold
Source: NADA

Rent per new vehicle sold skyrocketed 34.4% in March 2020, as compared to February. OEMs are beginning to postpone image facility upgrades, aware their dealers are in no position to increase fixed expenses during an economic crisis.

Dealership rent and rent-to-gross profit is higher for most import and luxury franchises due to the level of finish required of these facilities (see Chart XXII). For this reason, the weaker import and luxury franchises command lower blue sky multiples (see Chart XXIX and XXX on pages 27 and 28, respectively). The burden of high cost facility requirements, particularly in a recessionary environment, coupled with low sales per franchise diminishes the blue sky value of low volume import and luxury franchises. By contrast, domestic franchises benefit from lower average rent and less expensive facility requirements, reducing the fixed expense risk associated with domestic franchises.

Chart XXII
March 2020 LTM Rent Expense ($) vs. Rent as a Percentage of Gross Profit (%) by Dealership Type
Source: NADA

Domestic franchises benefit from below average rents. By contrast, import and luxury franchises have higher rents. For the low volume import and luxury franchises, high rent factors diminish their blue sky value.
FIRST QUARTER 2020 BUY/SELL TRENDS

Kerrigan Advisors’ successful sell-side advisory work across the US, as well as our experience providing strategic consulting services to growing dealership groups, gives us a unique perspective on the trends shaping today’s buy/sell market. For the first quarter of 2020, we identified the following three trends which we expect to shape the buy/sell market in 2020.

- Sellers’ blue sky pricing expectations exclude COVID-19 financial impact
- Surge in buyer/investor demand due to industry growth prospects and low cost of capital
- Buy/sell activity by state diverges based on level of economic shutdown

Sellers’ Blue Sky Pricing Expectations Exclude COVID-19 Financial Impact

While the effects of the coronavirus were financially shocking in March and April, perhaps equally as shocking has been auto retailers’ ability to adjust and prepare for a successful rebound in sales and profits. The pandemic is a reminder of the strength of the auto retail business model and its ability to weather even the most extraordinary economic events. With the support of PPP funds, as well as industry partners, few dealers have had to sell under duress. While the pandemic will likely cause some distressed dealership sales in the second half of 2020, for the most part dealers are well capitalized and prepared to manage through the crisis by cutting variable expenses, increasing efficiencies, and enhancing gross margins, particularly while vehicle inventories are temporarily constrained. Most dealers expect to return to prior levels of profits in relatively short order (some states quicker than others), like they did after the Great Recession. As a reminder, the average auto dealer returned to pre-recession earnings levels by 2009 (see Chart XXIII), even as sales remained 35.4% lower than 2007.

Chart XXIII
Average Dealership Pre-Tax Profit ($) vs. Pre-Tax-Profit to Sales (%)
Source: NADA

With this in mind, few dealers consider COVID-19’s recent financial impact as an indicator of their business’ value. Rather, sellers in 2020 expect their blue sky value to price based upon proforma earnings, adjusting for the one-time event when showrooms were closed and stay-at-home orders were in place. Few sellers will accept a valuation based upon a multiple of unadjusted 2020 earnings. The anomalistic profit performance in the month of March (and likely April, May and June) are expected to be short lived (see Chart XXIV on the following page). Most will view COVID-19 as a one-time event and thus not a reflection of future earnings.
March trailing twelve months earnings declined 8.2% as compared to February. The financial performance of dealerships during the pandemic are an anomaly and do not reflect their future earnings potential or blue sky value.

Sellers coming to market in the second half of 2020 expect their valuations to be based on historical pre-pandemic earnings and proforma expectations post-pandemic. Notably, of the 14 transactions Lithia currently has under contract, the company has chosen not to adjust blue sky pricing due to the immediate financial impact of the coronavirus. Rather, Lithia will monitor the seller's earnings rebound to determine if a future price adjustment may be warranted if the dealerships do not track back to 90-95% of pre-pandemic levels.

It should also be noted that those dealers who were considering a sale before COVID-19 are more seriously planning their exit once the buy/sell market reopens in the second half of 2020. Many of these sellers are at the point of retirement and have been contemplating a sale for some time. Living through the pandemic has expedited their decision making due to lifestyle choices, rather than economic stress. Many of these dealers have decided the value of their time supersedes the value of running their business. After the quarantine, some dealers will be more mentally prepared to exit auto retail and enjoy the fruits of their labor. For this reason, Kerrigan Advisors expects an increase in sellers coming to market over the next several years.

**Surge in Buyer/Investor Demand Due to Industry Growth Prospects and Low Cost of Capital**

Beginning at the end of the first quarter, an unprecedented number of buyers and deep pocketed investors reached out to Kerrigan Advisors expressing their desire to deploy large amounts of capital into auto retail over the next 12 months. These acquisitive groups, both existing dealers and newcomers, feel the market is ripe for increased consolidation post-pandemic. Many have been on the sidelines for several years, hesitant to make big bets when the industry was in an extended sales plateau and earnings growth seemed difficult to achieve. With the pandemic induced reduction in auto sales, these buyers now see a tremendous growth opportunity ahead, not only for sales but also for earnings. As the industry reduces expenses and increases efficiencies, these acquisitive players believe scale will enhance margins, making today a highly attractive time to make meaningful investments in auto retail.

These buyers and investors also expect the buy/sell market of 2020 and 2021 to favor the largest, well-capitalized consolidators. Many of these companies, particularly the publics, have successfully navigated the crisis with a high level of cash on hand and tremendous access to capital. As sales rebound, these companies will seek accretive acquisitions where they can employ new cost savings and digital retailing to enhance profits and increase acquisition returns.
“We’re sitting on a lot of cash and probably the lowest net leverage ratio we’ve had, it may be ever. So we’re very opportunistic.”

David Hult, President & CEO
Asbury Automotive Group
First Quarter 2020 Earnings Call

Furthermore, outside investors and well capitalized strategic buyers have outsized access to low-cost financing for acquisitions. With a lower cost of capital, these companies are better positioned to meet seller’s pricing expectations and complete large, transformative acquisitions. The benefits of low interest rates coupled with the Federal Reserve's support of the capital markets are expected to disproportionately benefit the major institutions and drive increased industry consolidation amongst the largest acquirers.

“Our cost of capital is still 4% to 4.5%...almost $400 million of that is on a credit line that’s LIBOR based that just dropped 80 basis points.”

Bryan DeBoer, President & CEO
Lithia Motors
First Quarter 2020 Earnings Call

While some buyers may anticipate (or hope) for significant price concessions from sellers, others are more realistic about seller’s pricing expectations. These pragmatic buyers are eager to capitalize on today’s historic moment that will likely create tremendous buying opportunities, as owners of highly valuable assets come to market post-pandemic. As noted in the prior trend, buyers realize these sellers are not selling under duress and that desirable dealerships come to market once in a generation. Today’s acquirers see the current buy/sell market as an opportunity to achieve attractive risk adjusted returns in the near term by deploying their low cost of capital in an industry that historically achieved high returns coming out of a recession.

Buy/Sell Activity by State Diverges Based on Level of Economic Shutdown

Across the US, the effects of COVID-19 diverge quite dramatically state by state. While some states mandated the closure of all automotive retail sales, others deemed auto retail essential. As a result, the impact on industry sales of both vehicles and parts is highly dependent on geography and state regulations (see Chart XXV on the following page). By way of example, while some states, such as Utah and Arkansas, experienced relatively minimal sales disruptions in April, others saw extreme reductions, such as Pennsylvania (-75%) and Washington (-68%) (see Chart XXVI on the following page). April’s high variance amongst states’ auto sales (700 basis point difference between the worst and the best performer) reflects the geographic variability in the economic effect of today’s pandemic.

“There’s no question, there’s a difference in the market.”

David Hult, President & CEO
Asbury Automotive Group
First Quarter 2020 Earnings Call
Chart XXV
Source: IHS Markit, Urban Science, Kerrigan Advisors Analysis

Chart XXVI
Source: IHS Markit, Urban Science, Kerrigan Advisors Analysis

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<th>States with Largest Sales Declines</th>
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As buy/sell activity reengages in the second half of 2020, Kerrigan Advisors expects states minimally impacted from COVID-19 to have a higher level of buy/sell activity than states or regions where the economic impact has been meaningfully negative. Similarly, Kerrigan Advisors anticipates higher levels of distressed transactions in areas that have experienced severe sales downturns as a result of the coronavirus, particularly after the financial assistance from PPP runs its course and lender forbearance payments come due. In this regard, the buy/sell market for the remainder of 2020 and into 2021 may depend as much on the microeconomic effects of the pandemic as the macro.
KERRIGAN ADVISORS’ BLUE SKY MULTIPLES

Kerrigan Advisors’ blue sky multiples and accompanying analysis outline the high, average and low blue sky multiples for each franchise in the luxury and non-luxury segments. Most dealerships are valued based on their assets plus blue sky, excluding working capital. Kerrigan Advisors’ blue sky multiples should typically be applied to trailing twelve months adjusted earnings before interest and taxes. Given the anomalous market dislocation caused by the coronavirus and the stay-at-home orders, Kerrigan Advisors expects blue sky will be valued based on proforma earnings in 2020. Until the pandemic is behind us, our published blue sky multiples should be applied to expected proforma trailing twelve months earnings adjusting for the one-time effect of the coronavirus-caused shutdowns.

Kerrigan Advisors’ blue sky multiples are based on our view of franchise values in the current buy/sell market. Each dealership has its own unique valuation drivers and significant analysis should be done to determine the market clearing price for a dealership’s blue sky. Accurately adjusting earnings, for instance, is critical in determining blue sky value.

Kerrigan Advisors' high, average and low multiples reflect the variability in dealership values, depending on specific circumstances and situations. In our experience, the seven key factors that drive valuation of a specific franchise are: (i) earnings growth expectations; (ii) buyer demand; (iii) real estate; (iv) market vehicle preference; (v) franchise market representation; (vi) customer relations and (vii) revenue mix. The combination of these seven factors determines the blue sky multiple a buyer is ultimately willing to pay.

**Factor One: Earnings Growth Expectations**

- **Higher Growth = Higher Multiple:** Dealerships in high growth markets have higher earnings growth expectations and often command higher multiples. Over the last decade, underperforming dealerships have also commanded higher multiples. However, as industry sales slow, buyers are less willing to pay a high multiple for an underperforming store, particularly in the case of weaker franchises.

- **Lower Growth = Lower Multiple:** Overperforming dealerships can experience below average earnings growth post-sale. Ironically, a dealership that is overperforming, meaning its profitability and/or sales are above market expectations, often commands a lower blue sky multiple, unless the buyer believes the overperformance can be maintained post acquisition.
Factor Two: Buyer Demand

- **Higher Demand = Higher Multiple**: Certain markets are in higher demand than others. For instance, there is a significant number of buyers seeking dealerships in the “smile states.” Dealerships in these markets often command higher multiples than dealerships in more seasonal climates. High buyer demand, with limited seller supply, drives up price.

- **Lower Demand = Lower Multiple**: Less demand means less competition and lower blue sky multiples. As an example, there are fewer buyers seeking dealerships in smaller/rural markets, resulting in lower multiples in those markets.

Factor Three: Real Estate

- **Image Compliant Facilities & Low Rent = Higher Multiple**: Image compliant dealerships with low rent command higher multiples. These dealerships are highly attractive to buyers because they require no additional investment and have an attractive rent factor, thus low fixed expenses and less risk. In general, if a dealership is image compliant and its rent-to-gross profit is below 10%, it is considered to have low rent.

- **Real Estate Investment Required and/or High Rent = Lower Multiple**: Dealerships that require major real estate investments or have high rent command lower multiples. Most buyers are not looking for real estate development projects. When a dealership requires a significant real estate investment, both known and unknown costs are anticipated. These costs result in increased future rent, which could reduce future earnings. As such, buyers often price non-image compliant franchises or franchises with high rent at lower multiples to consider the risk to future earnings.

Factor Four: Market Vehicle Preference

- **Highly Suitable Franchise for a Market = Higher Multiple**: Franchises that are highly suitable for a market receive higher multiples. For example, a domestic franchise located in a truck market, such as Colorado or Texas, is more valuable than the average domestic franchise in the US, and thus will likely command a higher multiple. This is because unit sales volume and dealership earnings in those markets are expected to be far above the average domestic franchise.

- **Unsuitable Franchise for a Market = Lower Multiple**: Franchises that are unsuitable for a market receive lower multiples. For example, a luxury franchise in a small city with few high-income wage earners will be much less valuable than the average luxury franchise located in a major metro.

Factor Five: Franchise Market Representation

- **Single Point Market = Higher Multiple**: A franchise with no like-franchise competition in its market will usually sell at a higher multiple than a franchise which competes with one or more other like-franchises. The exception to this rule is if a buyer knows a new point will be added to a market. In that instance, the price premium would be reduced, as the buyer would expect sales and margins to decline when a competitor enters the market.

- **Over-Dealersed Market = Lower Multiple**: Markets with too many like-franchises command much lower multiples. These franchises face higher competition and typically lower margins, thus lower profits.
Factor Six: Customer Relations

- **High CSI/Dealer Rating/Customer Retention = Higher Multiple**: A dealership’s brand and reputation is playing an increasingly important role in franchise value. Dealerships with high customer retention rates and exceptional customer relations will command higher multiples, as the profits associated with those businesses are more sustainable. Kerrigan Advisors believes a dealership’s social media brand will become increasingly important to franchise value in the future.

- **Low CSI/Dealer Rating/Customer Retention = Lower Multiple**: Dealerships with poor online reputations, coupled with low CSI and SSI, receive lower blue sky multiples. Buyers of these dealerships are concerned about the time and capital required to change customer perceptions. Furthermore, low customer retention results in higher customer acquisition costs and a less efficient business model. With social media’s growing commercial importance, poor dealer ratings will also have an increasingly negative effect on franchise value.

Factor Seven: Revenue Mix

- **High Share of Fixed Ops = Higher Multiple**: Fixed operations is the highest margin, most consistent revenue stream associated with the dealership business model. Dealerships with strong fixed operations trade at higher multiples because their earnings are more predictable and less cyclical. These dealerships usually have higher UIO counts, above average service retention, excellent CSI/SSI and high fixed absorption rates, resulting in a more attractive business model that is less susceptible to economic cycles.

- **Low Share of Fixed Ops = Lower Multiple**: Dealerships with weak fixed operations trade at lower multiples. These dealerships’ earnings are reliant on vehicle sales to achieve their profitability and thus more exposed to economic cycles. They also tend to have lower UIO counts, weak service retention and low fixed absorption, thus riskier business models.

Kerrigan Advisors’ blue sky multiples reflect a buyers’ required return on investment in exchange for the perceived risk associated with a franchise’s future income stream. Franchises with higher operational risk command lower multiples, while franchises with lower operational risk command higher multiples.

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Chart XXVII
Expected Unlevered Return on Investment Based on Blue Sky Multiple

*Source: Kerrigan Advisors Analysis*

*Note: Analysis excludes real estate and assumes working capital and fixed assets collectively represent a single turn of earnings. Analysis also assumes there is no change in dealership earnings post-transaction.*
First Quarter 2020 Multiple Adjustments

For the first quarter of 2020, Kerrigan Advisors made four changes to our blue sky multiples, specifically one upgrade and three downgrades. We upgraded Toyota’s low-end multiple from 5.25 to 5.5. This increase reflects rising buyer demand for one of the highest quality franchises in the industry. Buyers believe Toyota is best prepared amongst all OEMs to weather the economic impact of COVID-19. Not surprisingly, Toyota had one of the lowest sales declines in the first quarter of any franchise and maintains the highest credit rating of the OEMs. With a flight to quality assets, Toyota franchises are expected to command even higher multiples as buyers seek safe investments during the pandemic.

Kerrigan Advisors downgraded Ford’s low-end blue sky multiple from 3.75 to 3.5. The reduction in Ford’s low-end multiple comes after the company reported a loss of $2 billion in the first quarter and planned delays in new product offerings, especially the Ford Bronco. Buyers are less confident in Ford management’s ability to successfully navigate the current crisis, given the company’s weakened financial position pre-pandemic. Also, the company’s bond rating has been further downgraded by Moody’s, one step closer to non-investment grade status, increasing the company’s cost of capital and limiting its ability to raise funds.

Kerrigan Advisors also downgraded Buick GMC’s high-end and low-end multiples to 3.5 and 2.5, respectively. In a recessionary environment, Buick GMC’s low sales per franchise will make profitability even more challenging.

Kerrigan Advisors also reduced Nissan’s blue sky multiple on the high-end and low-end to 3.25 and 2.25, respectively. Nissan sales plummeted 30% in the first quarter, despite strong industry sales in January and February. With continued management turnover, Nissan’s ability to manage through today’s global health crisis is being questioned by many buyers.

As noted in this report, Kerrigan Advisors expects the buy/sell market will have some distressed sales in the second half of 2020. Most of these transactions will be with weaker franchises that have lower sales per franchise and lower blue sky multiples. These weaker franchises have minimal pricing power and thus often sell at a discount if they are unprofitable or financially challenged. By contrast, franchises with high sales per franchise and high multiples generally have better business models and thus are less financially challenged, even in the face of a pandemic. These more valuable franchises also have stronger pricing power when they go to market (see Chart XXVIII on the following page) and are not expected to experience a discounted valuation, even in today’s more challenging auto retail environment.

It should be noted that COVID-19-related factory closures are beginning to impede the supply of inventory for certain franchises. The effects of constrained vehicle supply will become more evident in the second quarter of 2020 and could impact certain franchises’ blue sky multiples.
A Leading Sell-Side Advisor and Thought Partner to Auto Dealers

At Kerrigan Advisors, we pride ourselves on our singular focus - working with dealers and their families to enhance the value of their enterprise.

SELL-SIDE ADVISORY  CAPITAL-RAISING SERVICES
CONSULTING SERVICES  RESTRUCTURING SERVICES
### Chart XXIX

**Kerrigan Advisors’ First Quarter 2020 Blue Sky Multiples and Analysis: Non-Luxury**

*Source: Kerrigan Advisors Analysis, Automotive News, Moody’s*

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Buyer Demand</th>
<th>Change in Sales Q1 2020 vs. Q1 2019</th>
<th>Sales Per Dealership Q1 2020 LTM</th>
<th>Average Dealership Profitability</th>
<th>Buy/Sell Market Share</th>
<th>Moody’s Credit Rating</th>
<th>Multiple Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>High</td>
<td>-7.9%</td>
<td>1,651</td>
<td>Consistently High</td>
<td>2.4%</td>
<td>A1</td>
<td>Steady</td>
</tr>
<tr>
<td>Honda</td>
<td>High</td>
<td>-18.9%</td>
<td>1,312</td>
<td>Consistently High</td>
<td>6.1%</td>
<td>A3</td>
<td>Steady</td>
</tr>
<tr>
<td>Subaru</td>
<td>High</td>
<td>-16.7%</td>
<td>1,066</td>
<td>Consistently High</td>
<td>1.2%</td>
<td>Not Rated</td>
<td>Steady</td>
</tr>
<tr>
<td>Chevrolet</td>
<td>Average</td>
<td>-3.8%</td>
<td>661</td>
<td>Variable</td>
<td>19.5%</td>
<td>Baa3</td>
<td>Negative</td>
</tr>
<tr>
<td>Ford</td>
<td>Average</td>
<td>-13.0%</td>
<td>732</td>
<td>Variable</td>
<td>4.9%</td>
<td>Ba2</td>
<td>Negative</td>
</tr>
<tr>
<td>CDJR</td>
<td>Improving</td>
<td>-10.2%</td>
<td>859</td>
<td>Variable</td>
<td>17.1%</td>
<td>Baa1</td>
<td>Steady</td>
</tr>
<tr>
<td>Buick</td>
<td>Low</td>
<td>-14.0%</td>
<td>377</td>
<td>Variable</td>
<td>4.9%</td>
<td>Baa3</td>
<td>Steady</td>
</tr>
<tr>
<td>GMC</td>
<td>Improving</td>
<td>-11.3%</td>
<td>812</td>
<td>Variable</td>
<td>2.4%</td>
<td>Baa1</td>
<td>Positive</td>
</tr>
<tr>
<td>Hyundai</td>
<td>Improving</td>
<td>+1.0%</td>
<td>811</td>
<td>Variable</td>
<td>2.4%</td>
<td>Baa1</td>
<td>Positive</td>
</tr>
<tr>
<td>Kia</td>
<td>Improving</td>
<td>-12.6%</td>
<td>550</td>
<td>Improving</td>
<td>1.2%</td>
<td>A3</td>
<td>Steady</td>
</tr>
<tr>
<td>VW</td>
<td>Low</td>
<td>-30.0%</td>
<td>1,050</td>
<td>Variable</td>
<td>2.4%</td>
<td>Baa3</td>
<td>Negative</td>
</tr>
<tr>
<td>Nissan</td>
<td>Low</td>
<td>-4.5%</td>
<td>495</td>
<td>Consistently Low</td>
<td>3.7%</td>
<td>Not Rated</td>
<td>Steady</td>
</tr>
<tr>
<td>Mazda</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes

- **Franchise**: Toyota, Honda, Subaru, Chevrolet, Ford, CDJR, Buick, GMC, Hyundai, Kia, VW, Nissan, Mazda.
- **Buyer Demand**: High, Average, Low.
- **Change in Sales Q1 2020 vs. Q1 2019**: High: -7.9%, -18.9%, -16.7%, Average: -3.8%, Low: -14.0%, -11.3%, +1.0%, -12.6%, -30.0%, -4.5%.
- **Sales Per Dealership Q1 2020 LTM**: Toyota 1,651, Honda 1,312, Subaru 1,066, Chevrolet 661, Ford 732, CDJR 859, Buick 377, GMC 812, Hyundai 811, Kia 550, VW 1,050, Nissan 495, Mazda 495.
- **Average Dealership Profitability**: Toyota 2.4%, Honda 6.1%, Subaru 1.2%, Chevrolet 19.5%, Ford 4.9%, CDJR 17.1%, Buick 4.9%, GMC 2.4%, Hyundai 2.4%, Kia 1.2%, VW 2.4%, Nissan 3.7%, Mazda 3.7%.
- **Buy/Sell Market Share**: Toyota 2.4%, Honda 6.1%, Subaru 1.2%, Chevrolet 19.5%, Ford 4.9%, CDJR 17.1%, Buick 4.9%, GMC 2.4%, Hyundai 2.4%, Kia 1.2%, VW 2.4%, Nissan 3.7%, Mazda 3.7%.
- **Moody’s Credit Rating**: Toyota A1, Honda A3, Subaru Not Rated, Chevrolet Baa3, Ford Baa3, CDJR Baa1, Buick Baa1, GMC Baa1, Hyundai Baa1, Kia A3, VW Baa3, Nissan Not Rated, Mazda Not Rated.
- **Multiple Outlook**: Toyota Steady, Honda Steady, Subaru Steady, Chevrolet Improved, Ford Improved, CDJR Improved, Buick Improved, GMC Improved, Hyundai Improved, Kia Steady, VW Steady, Nissan Steady, Mazda Steady.
### Chart XXX
Kerrigan Advisors’ First Quarter 2020 Blue Sky Multiples and Analysis: Luxury

*Source: Kerrigan Advisors Analysis, Automotive News, Moody’s*

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Buyer Demand</th>
<th>Change in Sales Q1 2020 vs. Q1 2019</th>
<th>Sales Per Dealership Q1 2020 LTM</th>
<th>Average Dealership Profitability</th>
<th>Buy/Sell Market Share</th>
<th>Moody’s Credit Rating</th>
<th>Multiple Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Porsche</td>
<td>High</td>
<td>-20.2%</td>
<td>9.0</td>
<td>Highest in Industry</td>
<td>0.0%</td>
<td>A3</td>
<td>Steady</td>
</tr>
<tr>
<td>Mercedes-Benz</td>
<td>High</td>
<td>-4.3%</td>
<td>8.75</td>
<td>Consistently High</td>
<td>2.4%</td>
<td>A3</td>
<td>Steady</td>
</tr>
<tr>
<td>Lexus</td>
<td>High</td>
<td>-15.6%</td>
<td>8.75</td>
<td>Consistently High</td>
<td>4.9%</td>
<td>A1</td>
<td>Steady</td>
</tr>
<tr>
<td>BMW</td>
<td>High</td>
<td>-15.3%</td>
<td>8.5</td>
<td>Consistently High</td>
<td>0.0%</td>
<td>A2</td>
<td>Steady</td>
</tr>
<tr>
<td>Audi</td>
<td>Improving</td>
<td>-14.0%</td>
<td>8.0</td>
<td>High</td>
<td>0.0%</td>
<td>A3</td>
<td>Steady</td>
</tr>
<tr>
<td>Jaguar Land Rover</td>
<td>High</td>
<td>LR -12.4% Jag -28.9%</td>
<td>7.75</td>
<td>High</td>
<td>1.2%</td>
<td>B1</td>
<td>Negative</td>
</tr>
<tr>
<td>Land Rover</td>
<td>Improving</td>
<td>-11.7%</td>
<td>7.0</td>
<td>Improving</td>
<td>2.4%</td>
<td>A2</td>
<td>Positive</td>
</tr>
<tr>
<td>Volvo</td>
<td>Low</td>
<td>-21.6%</td>
<td>7.0</td>
<td>Consistently Low</td>
<td>0.0%</td>
<td>A3</td>
<td>Steady</td>
</tr>
<tr>
<td>Acura</td>
<td>Low</td>
<td>-25.5%</td>
<td>7.0</td>
<td>Consistently Low</td>
<td>1.2%</td>
<td>Baa3</td>
<td>Negative</td>
</tr>
<tr>
<td>Infiniti</td>
<td>Low</td>
<td>-15.8%</td>
<td>7.0</td>
<td>Consistently Low</td>
<td>6.1%</td>
<td>Baa3</td>
<td>Steady</td>
</tr>
<tr>
<td>Cadillac</td>
<td>Low</td>
<td>+2.3%</td>
<td>7.0</td>
<td>Consistently Low</td>
<td>4.9%</td>
<td>Ba2</td>
<td>Steady</td>
</tr>
<tr>
<td>Lincoln</td>
<td>Low</td>
<td>+2.3%</td>
<td>7.0</td>
<td>Consistently Low</td>
<td>4.9%</td>
<td>Ba2</td>
<td>Steady</td>
</tr>
</tbody>
</table>
In closing, we hope The Blue Sky Report® is helpful to you as you lead your organizations through this historic period in auto retail. Please do not hesitate to contact our firm if you have any questions regarding the information presented herein or if we can assist you in any way.

Kerrigan Advisors is a leading advisory firm to growing dealership groups across the US, working as a thought partner to owners as they consider their expansion strategies. Our firm's mission is to add value to dealers as they grow, operate and, only when the time is right, sell their businesses. We are honored to be the leading sell-side advisor to owners of higher value dealerships and dealership groups nationwide. In the last five years, we have advised on many of the highest value transactions in the industry, including five of the Top 100 Dealership Groups, more than any other firm in the industry.

Kerrigan Advisors has had the honor of working with auto retail’s leading dealers in determining the right time to sell and the most appropriate buyer for their dealerships. We do not take listings, or maintain an inventory of sell-side clients, rather we focus on a select number of higher value transactions, devoting our team’s time and energy to ensure the sale process is a success. In our view, dealerships are far too valuable to be advised any other way.

We look forward to scheduling a confidential conversation about how we can assist you as you navigate the ever-changing auto retail environment.

KERRIGAN ADVISORS’ UPCOMING SPEAKING EVENTS

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Location</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIADA Webinar</td>
<td>Tuesday, June 16th</td>
<td>AIADA.org</td>
<td></td>
</tr>
<tr>
<td>Digital Dealer</td>
<td>September 15th–17th</td>
<td>Las Vegas, NV</td>
<td>DigitalDealer.com</td>
</tr>
<tr>
<td>NAMAD Annual Conference</td>
<td>Fall 2020</td>
<td>NAMAD.org</td>
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Kerrigan Advisors is honored to have advised the industry’s leading dealers through the lifecycle of growing, operating and monetizing their businesses. We are proud to say that every Kerrigan Advisors’ client is a referenceable client.

“The Kerrigan team identified the right buyer for our family’s business. Kerrigan Advisors’ responsiveness, client service and deep expertise was a key component to the success of this transition.”

Ed Tonkin, 2010 NADA Chairman
Co-President of Tonkin Family of Dealerships,
88th Largest Dealership Group

“Kerrigan Advisors was instrumental in positioning our dealership group for maximum return on our investment. Having them as my partner gave me the confidence to move forward with the sale.”

Patti Swope
Owner of Sam Swope Auto Group,
89th Largest Dealership Group

“We could not have completed this sale without the guidance and expertise of Kerrigan Advisors. Erin Kerrigan and her team did an exceptional job representing our family and running the sale process.”

Enessa Carbone
CEO of Carbone Auto Group,
94th Largest Dealership Group

“Erin Kerrigan’s expertise – from her deep understanding of the buy/sell market, transactions and dealership valuations to the OEM approval process – helped make our sale as smooth as possible.”

Steve Bloomer
President of Village Automotive Group,
Lexus of Wayzata, Lexus of Maplewood,
Village Chevrolet
The Most Active Sell-Side Advisor in Auto Retail

Since 2015, Kerrigan Advisors has represented on auto retail’s largest transactions, including five of the Top 100 Dealership Groups, more than any other firm in the industry. Our sale process is highly professional, actively managed, competitive, and – most important – discreet.

89+ Dealerships
114+ Franchises
15+ States

$2B+ Client Proceeds
$80M+ Avg. Transaction
5 Top 100 Groups

National Presence

Bi-coastal offices make Kerrigan Advisors strategically positioned to serve our clients from coast to coast.
At Kerrigan Advisors, we pride ourselves on our singular focus—working with dealers and their families throughout the US to enhance the value of their enterprise. From growth through exit, our firm supports generations of dealers through the lifecycle of owning and operating their businesses with our buy/sell advisory, capital-raising, and consulting services. We hope for the opportunity to work with you as you chart your course in a changing auto retail landscape.

A Leading Sell-Side Advisor and Thought Partner to Auto Dealers Nationwide

Erin Kerrigan
Founder & Managing Director

Ryan Kerrigan
Managing Director

Mercedes Hendricks
Vice President

Gabe Robleto
Vice President

Wayne Meyer
Senior Operations Advisor

Marie Brashears
Senior Associate

Pierre Dempsey
Associate

Ellen Kulla
Marketing Coordinator

Professional. Confidential. Proven.

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