

THE KERRIGAN INDEX™

June 2021

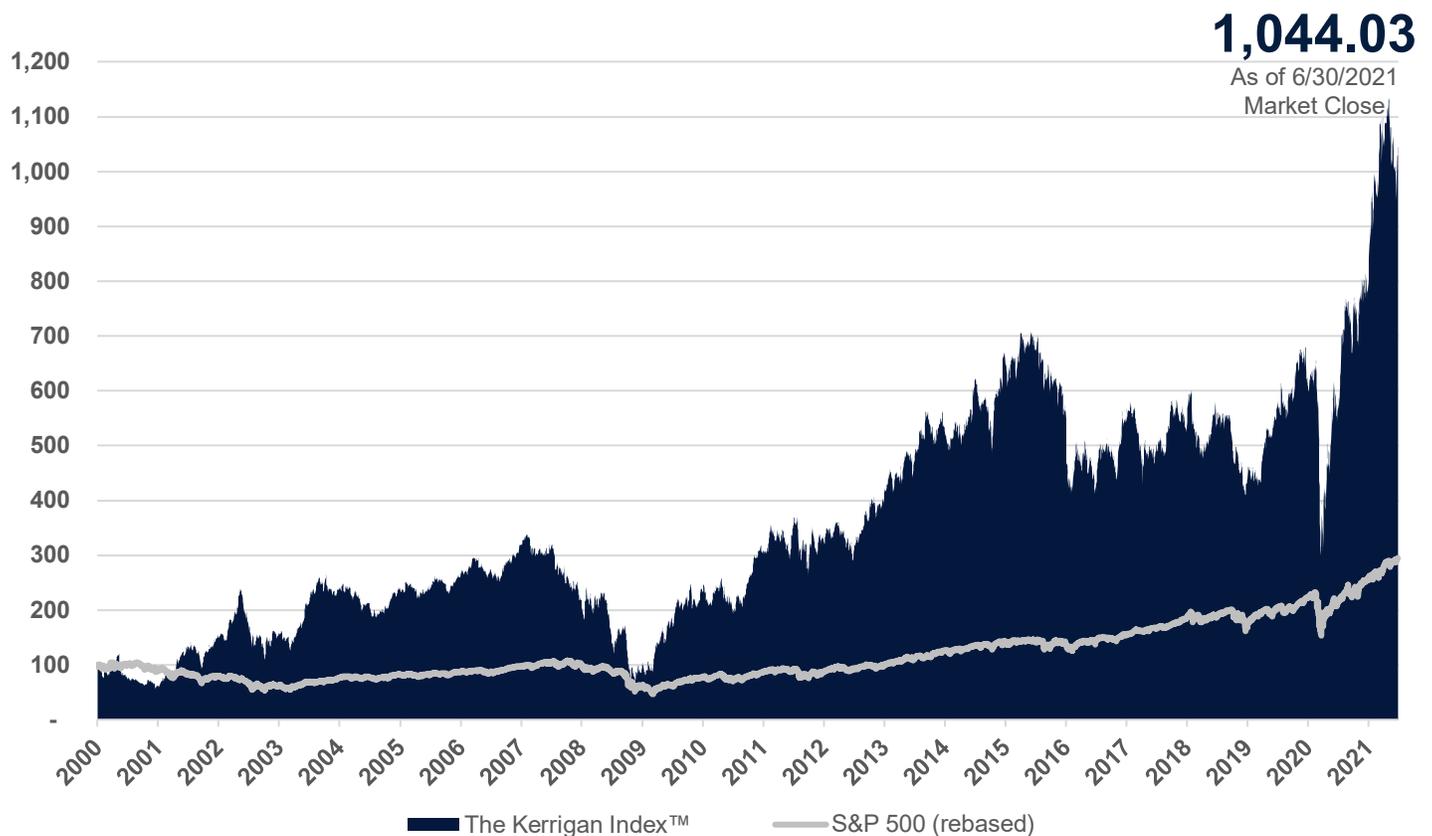
The Kerrigan Index™ is composed of the seven largest publicly traded auto retail companies with operations focused on the US market and is reported monthly. While the auto retail industry remains highly fragmented and is influenced by thousands of small and mid-sized private companies, the publicly traded auto retail stocks provide strategic insight into the dynamics affecting US auto retail and expectations for the industry’s earnings outlook.

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, Group 1 Automotive, Asbury Automotive Group and Sonic Automotive.

The Kerrigan Index™ is weighted by the market capitalization of each company and benchmarked at 100 on 1/3/2000.

Ticker	Company	6/30/2021 Stock Price	6/30/2021 Market Cap.	Jun-21 Monthly Change
KMX	CarMax	\$129.15	\$21.29B	+13.27%
LAD	Lithia Motors	\$343.64	\$10.39B	-2.37%
AN	AutoNation	\$94.81	\$7.63B	-7.17%
PAG	Penske Automotive Group	\$75.49	\$6.10B	-11.80%
ABG	Asbury Automotive Group	\$171.37	\$3.31B	-13.58%
GPI	Group 1 Automotive	\$154.43	\$2.80B	-3.17%
SAH	Sonic Automotive	\$44.74	\$1.86B	-7.24%



Mixed Month in the Market, But Deals, Deals, Deals

The Kerrigan Index™ ended June 2021 at **1,044.03**, up 0.15% for the month, while the S&P 500 Index was up 2.2% in June. Year-to-date, The Kerrigan Index is up 30.5%, significantly outperforming the S&P 500 Index, which is up only 14.4%.

Index	Jun. 2021 % Change	Jun. 2021 YTD % Change
The Kerrigan Index™	+0.15%	+30.52%
S&P 500 Index	+2.22%	+14.41%

CarMax was the only component company to post a gain in June, increasing a very significant 13.3% and offsetting the losses in other Index companies. All six new car public auto retailers posted losses. Asbury Automotive Group had the largest decline of 13.6%, followed by Penske Automotive Group (-11.8%), Sonic Automotive (-7.2%), AutoNation (-7.2%), Group 1 Automotive (-3.2%) and Lithia Motors (-2.4%).

The industry continues to report strong vehicle sales through June of this year, recording growth of 17% over June 2020. However, vehicle sales are being curtailed due to the lack of inventory. Vehicle sales through June 2021 are down 13% from June 2019. SAAR came in at 15.35 million units, down from the 17+ million rates from March through May of this year, but up from 13.23 million in June 2020. The much less profitable fleet sales segment continues to lag prior years.

According to Thomas King, president of the data and analytics division at J.D. Power, “June is set to top off a blistering first half of 2021 with multiple year-to-date performance records. On a volume basis, June 2021 year-to-date retail sales are trending to just above 7.1 million units, the best first half of any year on record. Records will also be set for average transaction price, total consumer spending on new vehicles and retailer profitability.”

Also, average transaction prices are projected to top \$40,000 for the first time, coming in at an estimated \$40,206. This represents a remarkable 15% increase year over year. Perhaps more impressive, manufacturer incentives are down 43% year over year to just \$2,492, driven by tremendous consumer demand. Inventory turns continue at a blistering pace with average days supply falling 58% from June 2020 to 39 days in June 2021. Dealers report that over 40% of vehicles are sold within 10 days of arriving at a dealership.

Dealers are significantly benefitting from rising used car values, resulting in a significant increase in used car gross margins. Commenting on the positive used car trends, Eric Lyman, vice president at ALG explained the market this way: “ALG has recognized six key drivers contributing to record used-vehicle values in 2021. They are—in order of largest-to-smallest effect—used supply declines; economic recovery; pent-up demand; reduced incentive spend; new-vehicle production issues; and elevated housing prices. These drivers are fueling an expected gain of 11 percentage points in original MSRP among used 3-year-old vehicles in 2021 when compared with Q4 2020. However, only two of these drivers—used supply declines and reduced incentive spending—will have a long-term effect when 2021 model-year vehicles return to the secondary market in 2024.”

The strong dealership transaction market continues with multiple acquisitions announced in the month. Kerrigan Advisors reported that the number of transactions was up 20% in the first quarter of 2021, and that the number of franchises that traded hands set an all-time record on a trailing twelve-month basis in Q1. Two Index companies participated in this active marketplace and announced acquisitions in the month.

Lithia made multiple acquisition announcements in June, including five Kia stores in Texas, representing \$350 million in revenue. The company also purchased the largest Toyota store in Washington state, Michael's Toyota of Bellevue, as well as Michael's Subaru of Bellevue, adding \$235 million in annual revenue, and announced the acquisition of Herrin-Gear Toyota in Jackson, Mississippi, adding an additional \$95 million in revenue. Lithia states that it has added \$7.8 billion in acquired revenue in the last 12 months.

Penske announced the acquisition of Mercedes-Benz of South Charlotte from AMSI and Felix Sabates. The dealership is expected to add \$150 million in annual revenue. This transaction is Penske's first new car dealership acquisition in the US since Q4 2018.

Other significant industry data include:

- Per J.D. Power, consumer spending on new vehicles is expected to be \$45.6 billion in June, the highest amount for the month of June. June 2021's consumer spending on new vehicles is up \$10.3 billion from June 2020 and up \$6.0 billion from June 2019.
- Trucks and SUVs are expected to account for 75.9% of June's new vehicle retail sales.
- Fleet sales are estimated to have increased 89% from June 2020 and down 39% from June 2019 on a selling day adjusted basis. Fleet sales are expected to be 196,000 units for the month, representing 15% of total light vehicle sales, up from 9% a year ago.

Sources: *Automotive News, J.D. Power, LMC Automotive, Yahoo Finance, Microsoft Finance, SEC Filings*

About Kerrigan Advisors:

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. In the last five years, we have represented on auto retail's largest transactions, including six of the Top 100 Dealership Groups, *more than any other firm in the industry*. Kerrigan Advisors works with auto retail's leading families on their growth strategy, capital allocation, real estate and buy/sell transactions. Kerrigan Advisors is often asked to keynote top auto retail conferences, as well as leading manufacturer events. In addition to The Kerrigan Index™ monthly, the firm publishes a quarterly Blue Sky Report®, the industry authority on blue sky multiples and buy/sell trends. To sign up to receive both reports, please email your contact information to info@kerriganadvisors.com or visit our website at www.KerriganAdvisors.com.

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