

THE KERRIGAN INDEX™

July 2021

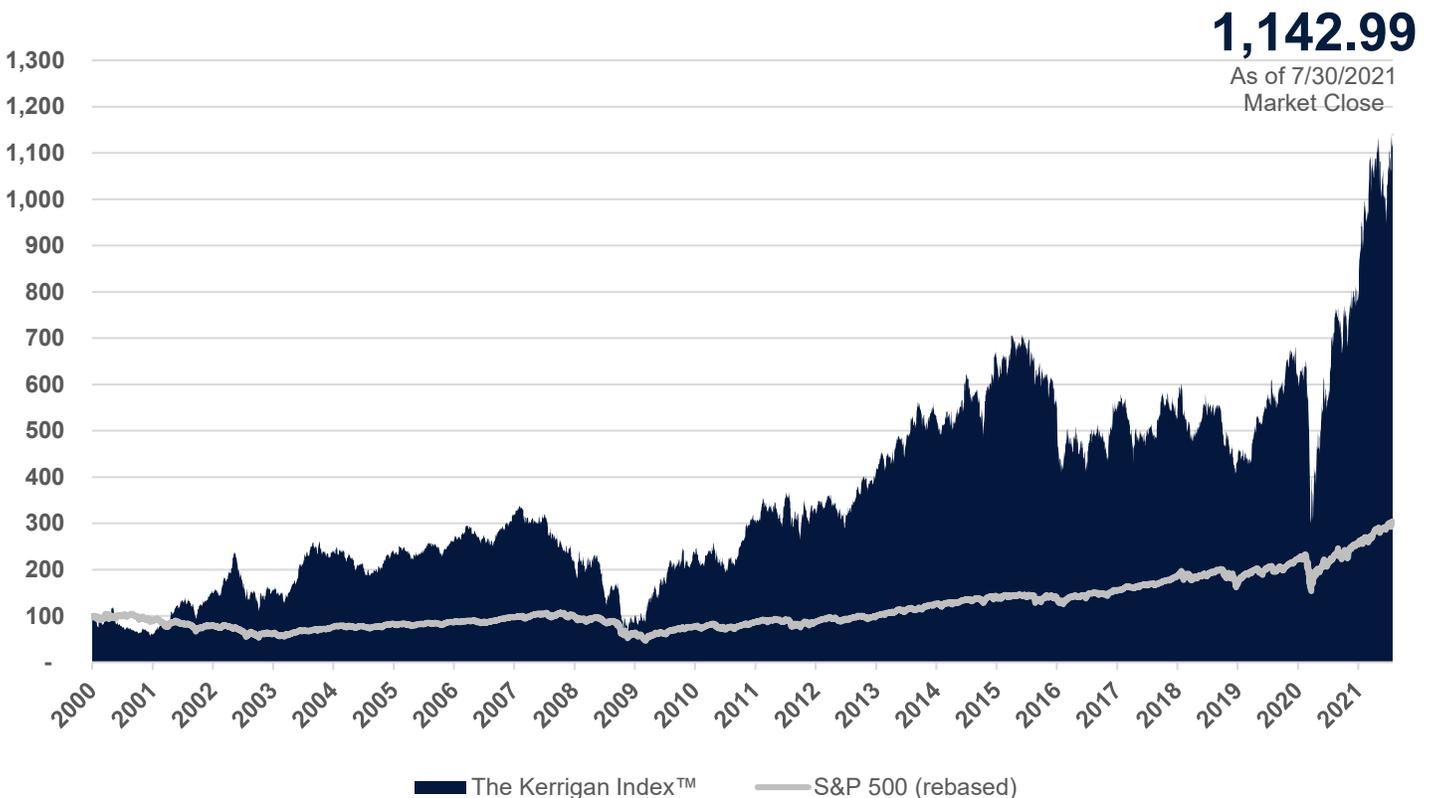
The Kerrigan Index™ is composed of the seven largest publicly traded auto retail companies with operations focused on the US market and is reported monthly. While the auto retail industry remains highly fragmented and is influenced by thousands of small and mid-sized private companies, the publicly traded 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

Ticker	Company	7/30/2021 Stock Price	7/30/2021 Market Cap.	Jul-21 Monthly Change
KMX	CarMax	\$133.95	\$21.83B	+2.53%
LAD	Lithia Motors	\$377.22	\$11.41B	+9.87%
AN	AutoNation	\$121.33	\$8.69B	+13.84%
PAG	Penske Automotive Group	\$88.60	\$7.12B	+16.64%
ABG	Asbury Automotive Group	\$205.46	\$3.97B	+19.91%
GPI	Group 1 Automotive	\$173.74	\$3.16B	+12.50%
SAH	Sonic Automotive	\$54.55	\$2.28B	+22.28%



Limited Inventory, Record Shattering Q2 Revenue and Earnings

The Kerrigan Index™ ended July 2021 at **1,1142.99, an all-time high**. The Kerrigan Index soared 9.48% for the month, while the S&P 500 Index was up just 2.27%. Year-to-date, The Kerrigan Index is up 42.90%, significantly outperforming the S&P 500 Index which is up 17.02% for the year.

Index	Jul. 2021 % Change	Jul. 2021 YTD % Change
The Kerrigan Index™	+9.48%	+42.90%
S&P 500 Index	+2.27%	+17.02%

All component stocks posted increases in July. Sonic Automotive posted the largest gain of 22.28%, followed by Asbury Automotive Group (+19.91%), Penske Automotive Group (+16.64%), AutoNation (+13.84%), Group 1 Automotive (+12.50%), Lithia Motors (+9.87%) and CarMax (+2.53%).



Defying prolonged inventory shortages, the automotive sector continues to post record revenue, driven largely by price increases.

New vehicle sales totaled 1.32 million for the month, a modest increase from 2020, but down an estimated 12.4% from 2019. That said, there continues to be a significant shift from fleet sales to the much more profitable retail channel. This resulted in industry revenue of \$48.7 billion for the month, an all-time industry high.

As of July 2021, dealers have a total of 930,000 units in inventory, down 70% from 3.1 million units in July 2019. JD Power reports that this month, more than 45% of vehicles will be sold within 10 days of arriving to a dealership. The average days a new vehicle sits on a dealership lot before being retailed is on pace to fall to a record low of 31 days, down a significant 75 days from a year ago and 6 days from last month.

The average transaction price grew to an estimated \$41,044, an all-time high and 17% higher than the previous year. OEM incentives continued to shrink from over \$4,000 per vehicle to \$2,065 this past month. At 4.8% of MSRP, this is the first time on record OEM incentives have dipped below the 5% threshold.

Thomas King, president of the data and analytics division at J.D. Power, summarized the state of the industry this way: “Inventory constraints, and its divergent effects on vehicle sales, continues to be the key theme for July. Too few vehicles in inventory mean the sales pace in July is well below the levels seen earlier this year. Conversely, the lack of inventory is driving the price of the vehicles to record highs as manufacturers and retailers continue to dial back discounts. While the quantity of sales is down, the quality of each sale is up, evidenced by the fact that consumers will spend more money buying new vehicles than ever before in the month of July, and dealer profits from selling new vehicles will reach an all-time high.”

Second Quarter 2021 Earnings Recap:

Six of the seven Index stocks posted second quarter earnings with each reporting record revenue and earnings.

Company	Q2 2021 Revenue (\$B)	QoQ % Change	Q2 2021 Net Income (\$M)	QoQ % Change
Asbury	\$2.58	78.8%	\$152.10	206.7%
AutoNation	\$6.98	53.9%	\$384.80	37.5%
Group 1	\$3.70	73.6%	\$191.00	532.5%
Lithia	\$6.01	117.8%	\$304.90	292.4%
Penske	\$6.99	91.4%	\$340.40	659.8%
Sonic	\$3.35	58.7%	\$113.85	269.7%
TOTAL		78.1%		189.9%

ABG: Asbury Automotive Group tripled net income in the second quarter to \$152 million on revenue of \$2.58 billion. CEO David Hult said that the company is “tracking well” to double revenue over five years to \$20 billion by 2025. Included in that \$20 billion, the company projects \$5 billion in revenue from Clicklane, its online car buying platform. Asbury expects annualized volume through Clicklane of at least 30,000 vehicles by the end of 2021.

AN: AutoNation reported second quarter net income up 38% to \$385 million on revenue of \$7 billion, up 54% year over year. AutoNation announced one pending acquisition, the acquisition of eleven dealerships in South Carolina and Georgia from Peacock Automotive Group of Hardeeville, SC. This represents AutoNation's first purchase of franchised stores since 2018 and is expected to generate \$380 million in annual revenue. The company continues to expand its used vehicle-only AutoNation USA business from five stores to more than 130 by the end of 2026, most recently opening a store in San Antonio, Texas. AutoNation also announced the repurchase of 15% of its outstanding shares for \$1.2 billion, citing the attractiveness of its stock relative to current acquisition opportunities.

GPI: Group 1 Automotive announced second quarter net income of \$191 million, a sixfold increase over the prior year, on revenue of \$3.7 billion. Sales through Group 1's omnichannel digital retailing platform in the US, AcceleRide, more than doubled in the quarter to over 5,600 new and used vehicle sales. In July, Group 1 announced the acquisition of Robinsons Motor Group, which is comprised of nine dealerships in the U.K and expected to generate \$300 million in annual revenue.

LAD: Lithia Motors posted \$305 million in second quarter net income, a threefold increase over the prior year, on \$6 billion in revenue. The company continues its aggressive expansion and now owns 260 dealerships, the largest number of rooftops in the industry, and states it is ahead of its five-year plan to achieve \$50 billion in revenue. Driveway, Lithia's omnichannel online platform, remains on target to hit 15,000 Driveway transactions this year. Lithia is reportedly under contract to purchase Pfaff Automotive Partners, a large luxury dealership group based in Toronto. This represents Lithia's first acquisition in Canada and the first US public acquisition in Canada.

PAG: Penske Automotive Group's second quarter net income skyrocketed sevenfold on record results, reporting \$340 million in net income on \$7 billion in revenue. Penske continues to open standalone used car supercenters under the brand CarShop, selling 18,742 vehicles year-to-date through its 19 stores. Penske plans to have 40 locations by the end of 2023. In June, Penske announced the acquisition of Felix Sabates' Mercedes-Benz of South Charlotte in Pineville, NC, its first US dealership acquisition since late 2018.

SAH: Sonic Automotive announced second quarter revenue up 59% to an all-time quarterly record of \$3.35 billion and net income up over 269% to \$113.8 million, compared with \$30.8 million a year earlier. Sonic has hired investment bank Lazard and U.S. law firm Kirkland & Ellis LLP as financial and legal advisers for a "review of strategic alternatives" for its successful and high growth standalone used car chain, EchoPark. Analysts suggest Sonic may spin off the business unit into a separate company. Sonic announced its first major franchised dealership acquisition since 2014 with the acquisition of Grand Junction Subaru and Grand Junction Volkswagen in Colorado, a Kerrigan Advisors' client.

Other significant industry data include:

- Per J.D. Power, consumer spending on new vehicles is expected to be \$48.7 billion in July, the highest level for the month of July. July 2021's consumer spending on new vehicles is up \$9.9 billion from July 2020 and up \$8.8 billion from July 2019, despite unit volume being down.
- Trucks and SUVs are expected to account for 76.5% of July's new vehicle retail sales.
- Fleet sales are estimated to have declined 5.3% from July 2020 and down 35.5% from July 2019 on a selling day adjusted basis. Fleet sales are expected to be 132,000 units for the month, representing 10% of total light vehicle sales, down from 11% 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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