Q4 2025 M&A UPDATE/ PRESIDIO VALUATION INDEX

The Presidio Group's automotive dealership valuation expertise and insights on the latest trends in mergers and acquisitions are informed, in part, by our work with many of the country's biggest and most influential dealership groups. These relationships give us an insider's view of how experienced and sophisticated operators value dealerships. Our comprehensive analysis includes:

Overall Market Update | Brand Watch | Presidio Valuation Index | Presidio's Valuation Matrix Spotlight

Overall Market Update

The U.S. dealership buy-sell market ended 2025 strong, but softness early in the year pulled full-year transaction totals down.

When all 2025 deals are counted, Presidio estimates total transactions will have dropped year-over-year by around 7% to 390 and the number of dealerships sold will have decreased by about 18% to 490. The numbers are subject to change pending news of additional transactions. But if they hold, it will be the industry's lowest transaction count since 2023.

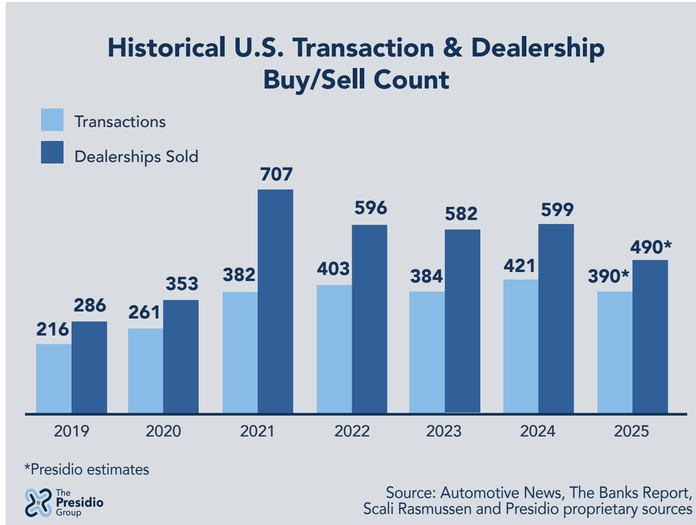
2025's lower totals largely reflect a slowdown in acquisition activity leading up to the 2024 presidential election as buyers paused amid political uncertainty, setting the stage for significantly fewer deal closings in the first quarter. Post-election exuberance was then somewhat muted by the changing tariff landscape and the resulting impact on the automotive industry.

Despite lower overall totals for 2025, deal momentum in the second half bodes well for 2026. The dealership buy-sell market remains strong and resilient, buyer demand is high and dealers have ample capital to deploy.

"Our pipeline of deals is the largest we've seen, and with buyer appetite and resources still strong, we're poised for both a robust year ahead and continued consolidation well into the future," said George Karolis, president of The Presidio Group. "Sellers who had been on the sidelines are returning to the market, motivated by a desire to realize value while dealership earnings and buyer demand is strong. With dealers' profits and liquidity still high, we expect dealership M&A to remain vigorous for years to come."

Main factors driving buy-sell market activity include:

- Buyers and sellers are ready to transact after last year's election- and tariff-related slowdown
- Profitability and liquidity remain historically elevated for both public and large private groups
- Buyer demand continues to outpace supply
- Active portfolio management is driving both sales and targeted acquisitions



The Presidio team sees a flywheel effect at work: Robust profitability and record liquidity among public and private consolidators reinforce each other — strong earnings and cash reserves fund new acquisitions, which can then strengthen performance and sustain further dealmaking.

This dynamic is clear when examining deal activity before the onset of the coronavirus pandemic and after. The industry has shifted to a higher transaction pace that we think will extend far into the future. In the three years before the pandemic's 2020 start, the U.S. buy-sell market averaged 229 transactions involving 335 dealerships. From 2021 through 2024, the average transaction count rose 74% to 398, while the average number of dealerships involved rose 86% to 621.

Public dealership group financials show expanded capacity for M&A. For the 12 months ended Sept. 30, the publics' combined adjusted earnings before interest, taxes, depreciation and amortization were $7.32 billion — more than twice 2019's $3.24 billion. Average liquidity for the publics was $1.38 billion as of Sept. 30, double 2019's level. Private consolidators are similarly well-capitalized and primed for growth.

That much capital and the abundance of ready buyers support an active deal environment, even as industry profitability moderates. With around 6,600 dealership groups in the U.S. and 48% of franchised stores still held by owners with five or fewer outlets, consolidation opportunities remain strong.

Active portfolio management also is shaping consolidation strategy. Leading groups are selling underperforming or non-core assets and redeploying resources to better-fitting dealerships representing priority brands and geographies — enhancing both operational efficiency and long-term strategic positioning.

> ***"We expect dealership M&A to remain vigorous for years to come."***
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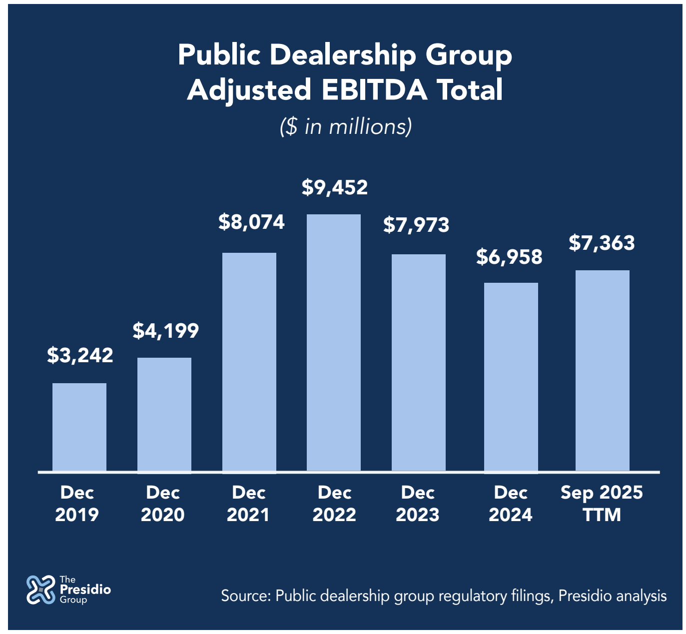
> — George Karolis, president of The Presidio Group



Public groups played their most active role in the buy-sell market in several years during 2025, acquiring 47 dealerships in 17 transactions through the first nine months of the year. They accounted for 6% of all U.S. transactions and 13% of dealerships trading hands during that period, their highest share of both since 2021. Asbury's July purchase of 33 dealerships from the Herb Chambers Cos. largely drove the increase.

Other noteworthy transactions by the publics last year included Group 1 Automotive's acquisition of Mercedes-Benz of Buckhead in Atlanta in July and AutoNation's purchase of Mercedes-Benz and Audi dealerships in Chicago in September. Presidio advised both Group 1 and AutoNation.

With highly motivated sellers and capital-rich public and private buyers, the market's competitive environment for prime assets is expected to persist. Presidio expects 2026 transaction activity to surpass 2025 as the deal pipeline remains full. Succession dynamics, rising operational complexity and the ongoing reshaping of the industry will bring more opportunities to market, supporting vigorous buy-sell activity for many years down the road.

Brand Watch

The Presidio team evaluates automaker brands operating in the U.S. twice a year, updating brand-level valuation parameters in our second and fourth quarter reports. Our aim is to inform readers about factors that affect both brand health and the valuation of dealerships representing those brands.

Our valuation multiple guidelines continue to be led by Lexus, the top German luxury brands and Toyota. This cycle, we are raising blue-sky multiple guidance for Mercedes-Benz, Kia and Ford and lowering multiples for Porsche, Audi and Volvo.

Brand-level multiple adjustments are informed by feedback on dealership operational performance and automaker-dealer relations shared by dealers with Presidio's transaction team, our proprietary knowledge of multiples and transaction prices in recent dealership acquisitions, brand sentiment captured in the Presidio Year-End 2025 Dealer Direction Survey and brand-level sales, inventory and incentive performance for 2025.

PRESIDIO IS RAISING VALUATION GUIDELINES FOR:

↑ **Mercedes-Benz** | **+25 basis points on the high end to a blue-sky multiple range of 8.0x – 9.5x**

Mercedes-Benz passed BMW in the latest Presidio Brand Desirability Ranking, rising to No. 5 as dealer optimism rose. The momentum is driven by new leadership, sharper focus, friendlier dealer relations and a tempered electric vehicle strategy. Mercedes-Benz USA CEO Adam Chamberlain in November said the brand aims to sell 400,000-plus retail vehicles annually by decade's end, excluding vans — a third more than sold at retail in 2025. This is the third straight time we've raised guidance for Mercedes-Benz, supported by robust buy-sell activity and sustained positive sentiment. Presidio has advised on transactions involving 19 Mercedes-Benz dealerships — four in 2025 alone — underscoring our expertise in this storied brand. We are raising the Mercedes-Benz multiple range by a quarter-point on the high end.

↑ **Kia** | **+50 to +75 basis points to a range of 5.0x – 6.25x**

Dealer sentiment on Kia is strong, reflected by its six-time placement in the top third of the Presidio ranking. The Telluride has been a blockbuster success for the brand, and anticipation is high for the redesigned model going on sale in 2026. Kia maintained inventory discipline throughout 2025, even as stock levels rose more for some of its mass-market brand rivals. Dealer interest in Kia in the buy-sell market is strong, and buyers are willing to pay handsomely for stores in great markets. The combination of strong dealer enthusiasm, product momentum and operational discipline supports the increase in Kia's multiple range. We are raising that range by a half-point on the low end and by three-quarters of a point on the high end.

↑ **Ford** | **+25 basis points to a range of 4.0x – 5.0x**

Ford has listened to dealers while pivoting on EVs and navigating production cycle issues. Its iconic F-Series pickup, the best-selling vehicle in the U.S. for 44 straight years, remains a powerhouse. And dealer sentiment has improved; Ford reached the Presidio ranking's top 10 for the first time at year-end 2025. We are aligning Ford's multiple range with Chevrolet's and increasing it by a quarter-point on both ends.

PRESIDIO IS LOWERING VALUATION GUIDELINES FOR:

↓ **Porsche** | **-50 points on the low end to a range of 8.0x – 9.5x**

Not all Porsche dealerships are created equally — a store's location and favorability for receiving strong product allocation from the automaker directly affects its value. We have reduced the lower end of Porsche's multiple range in part because of pressure on dealer margins and ongoing uncertainty about how higher tariff costs will be passed through to dealers and consumers in 2026. At the same time, demand for Porsche stores remains strong, and dealerships with great facilities in strong markets command premium values. We are lowering Porsche's range by a half-point on the low end.

↓ **Audi** | **-25 to -50 basis points to a range of 5.5x – 6.5x**

After record U.S. sales in 2023, Audi has posted two straight years of sales declines, and dealers have understandably lost some enthusiasm. Audi's position in the Presidio ranking slipped to No. 14 in 2025 from No. 10 in 2023. Per-vehicle and overall dealership profitability is under pressure, and dealers want better inventory management and reduced supply to help restore margins. Dealers expect new products, especially redesigned and new larger crossovers launching in 2026, to aid recovery. However, without U.S. production, Audi continues to face extensive tariff risk. While U.S. assembly capacity may be in the works, no plan has been announced yet. We are lowering Audi's range by a half-point on the low end and a quarter-point on the high end.

↓ **Volvo** | **-50 basis points to a range of 3.0x – 4.0x**

Dealers are concerned about higher discounting by both the brand and its retailers to sustain volume. Brand performance also is regarded as location dependent given Volvo's popularity in regional market pockets such as the Northeast. Volvo typically doesn't land on dealership buyers' wish lists; its locations are more likely to transact as part of a multi-store deal. We are lowering Volvo's range by a half-point at both ends.

The Presidio Valuation Index

When valuing a dealership, it's all about expected normalized future earnings, which typically influence 80% of the equation for mainstream brands. Presidio considers this when determining blue-sky earnings multiples and our brand revenue multipliers, which are based on earnings as a percentage of dealership revenue. Multiples have not changed much the past two decades, but dealership earnings have grown and varied dramatically. Predicting sustainable earnings is a critical part of the calculation, particularly in recent years when dealership profitability has been seeking its new normal.

Average dealership profitability dropped about 20% in 2023 and by more than 24% in 2024 but rebounded in 2025, rising 6.4% for the full year. Sustainability of earnings varies significantly by brand and often geography. We estimate that net profit as a percentage of sales ranges across brand segments as follows:

Luxury brands: 4-7% | Top-tier import brands: 3-5% | Domestic/Other value brands: 1-3%

Revenue multipliers help eliminate volatility associated with changes in dealership earnings and are labeled on the following Presidio Valuation Index page as "blue sky as a % of revenue range." Revenue multipliers are a great barometer for estimating initial dealership valuation as they help neutralize earnings volatility and associated unknowns.

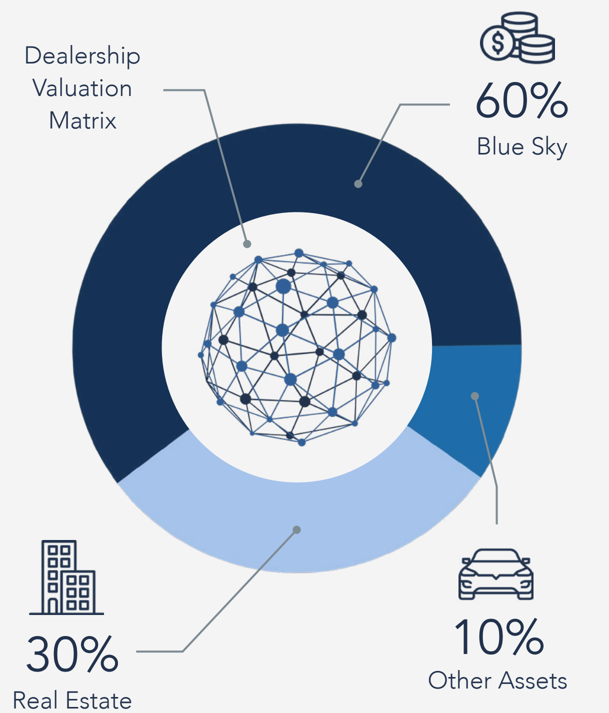
Dealership Valuation Overview and Methodology

The Presidio team believes every dealership is unique and that the industrywide standard of applying a blue-sky multiple to earnings lacks the sophistication required to determine a dealership's market value. Solely focusing on blue sky ignores about 40 percent of the total investment represented by real estate and other assets. The symbiotic relationship among these components correlates to a dealership's total cash flow and, ultimately, return on investment.

Presidio has created an index that includes three pillars of valuation — blue-sky earnings multiples, a multiplier based on a percentage of dealership revenue and a return on investment calculation — and uses other key factors such as a brand's network size to help stakeholders triangulate an estimated value of a dealership.

Presidio evaluates each brand on the three pillars twice a year and revises multiples or other factors as needed. While we believe our approach helps triangulate value, it's important to note that our guide is still simply a guide. Anyone looking to sell or buy dealerships should consider using experts to conduct a deeper evaluation to determine value. For more information on Presidio's valuation methodology, go here: **https://thepresidiogroup.com/valuationmethodology**

Dealership Valuation Components



Source: Presidio analysis

The Presidio Valuation Index

The Presidio Valuation Index uses three pillars of valuation to help estimate dealership value by brand. We adjust brand-level guidelines twice a year, after the second and fourth quarters. Major factors influencing our changes in this report include automaker-dealer relations, brand product cycle and inventory management, dealer margin outlook and brand exposure to higher tariffs. We've increased blue-sky multiples for Mercedes-Benz, Kia and Ford. We have reduced multiples for Porsche, Audi and Volvo. Revenue multiples have been updated to reflect current market conditions.

Presidio Valuation Pillars →	Blue Sky as % of Revenue Range	Blue-Sky Multiple Range	Average Estimated ROI	Dealership Count as of Jan. 1, 2025	2024 New-Vehicle Volume/Dealership
Lexus	48% - 62%	9.0 - 10.0	<10%	244	1,417
Porsche	52% - 67%	8.0 - 9.5		202	381
Mercedes	42% - 52%	8.0 - 9.5		384	975
BMW	40% - 50%	7.75 - 9.0		350	1,061
Toyota	38% - 48%	7.5 - 9.0		1,237	1,607
Land Rover	31% - 40%	6.25 - 7.75		202	528
Subaru	30% - 38%	6.25 - 7.25		641	1,042
Honda	28% - 38%	6.0 - 7.25		1,070	1,207
Audi	25% - 35%	5.5 - 6.5		307	643
Kia	20% - 30%	5.0 - 6.25		795	1,006
Chevrolet	13% - 19%	4.0 - 5.0	15%	2,886	598
Ford	13% - 19%	4.0 - 5.0		2,839	682
Hyundai	14% - 24%	3.5 - 5.0		852	988
Cadillac	11% - 16%	3.75 - 4.75		567	282
Mazda	11% - 16%	3.5 - 4.5		541	783
Buick GMC	10% - 14%	3.5 - 4.5		1,659	553
Volvo	10% - 14%	3.0 - 4.0		281	444
Acura	10% - 14%	3.0 - 4.0		274	485
Volkswagen	10% - 14%	3.0 - 4.0		633	596
CDJR	4% - 10%	2.5 - 3.5		2,398	539
Nissan	4% - 10%	2.5 - 3.5		1,069	806
Infiniti	4% - 10%	2.0 - 3.0	20%	197	292

1) Dealership count represents GMC outlets 2) Dealership count represents Chrysler outlets

Source: Presidio proprietary data/analysis, Automotive News Dealer Census, Wards Intelligence

Presidio's Valuation Matrix Spotlight

A quarterly deep-dive into one of the factors driving dealership value

Technology

The rising importance of dealership technology in buy-sell deals

The suite of retail technology software known as the dealership tech stack is an increasingly prominent factor in today's buy-sell market. As digital tools, particularly artificial intelligence-based products, reshape every facet of automotive retail, dealers are rapidly adopting them and evaluating their own tech stacks as they consider whether to be buyers or sellers.

It marks a major shift in how dealers view technology. Prominent North Carolina dealer Don Flow calls it a move "from a people-based business supported by technology to a technology business supported by people."

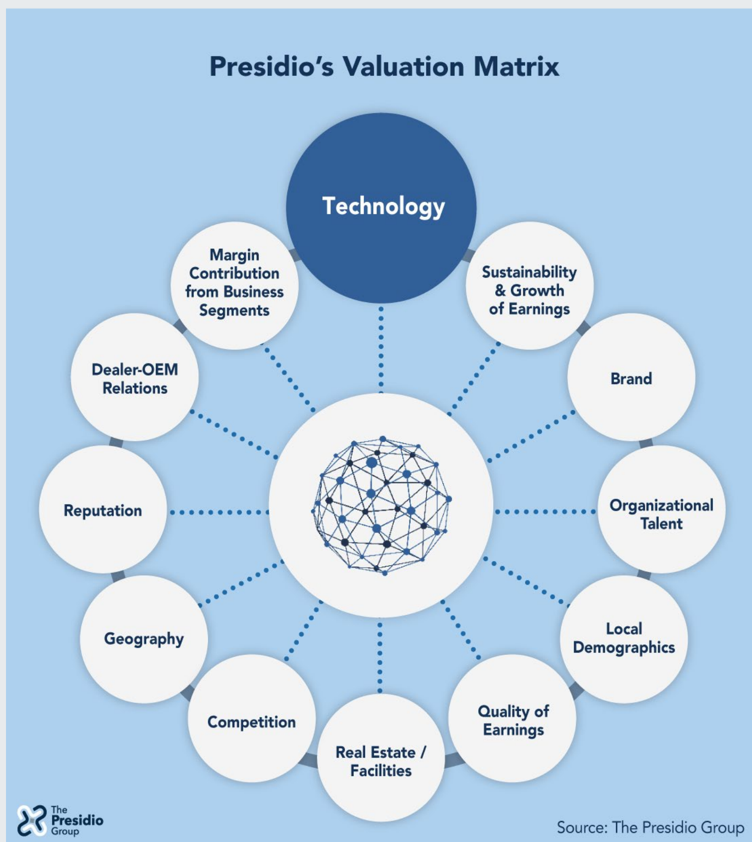
A dealership's tech stack is now integral to how these businesses compete, grow and deliver value to both customers, employees and dealers themselves. Dealers invest in tech to enhance the customer experience, drive workforce productivity and grow revenue. They are especially enthused about the potential AI holds for transforming the business. Tech vendor choices are growing rapidly, and the industry's dealership management system players, whether long-established companies like Reynolds and Reynolds or newer competitors like Tekion, are embracing AI.

When it comes to dealership M&A, dealers with robust technology can unlock greater productivity, efficiency and profitability at newly acquired stores, giving them more motivation to pursue acquisitions and leverage those advantages at scale.

"Dealers that thoughtfully model out their tech usage can approach the buy-sell market with more confidence and, often, greater success," said George Karolis, president of The Presidio Group. "They're able to predict cash flows more accurately, understand the real upside an acquisition can bring and value buy-sell opportunities better than those without that level of insight."

Conversely, some smaller groups or single-store operators facing the expense and complexity of technology upgrades may go the other direction and choose to sell, viewing exit as a prudent response to the demands of the digital era.

Dealers opting to stick around, though, are making significant investments in tech. More than 93% of dealers surveyed by Presidio said they've recently expanded software use or plan to in the next year, and nearly seven in ten reported positive results. Leading benefits cited include enhanced customer experience, improved outreach and greater productivity.



The most popular categories of new software include service scheduling, automated call answering, reputation management and vehicle appraisals, the Presidio Year-End 2025 Dealer Direction Survey found. AI-enabled tools are a central focus.

"At many dealerships, gone are the days of long waits in service or F&I or sifting through piles of paperwork to finalize a purchase," Karolis said. "The stores that are winning today are those leaning into technology to create a seamless, quick and easy customer experience — enabling paperless transactions, mobile service options and giving customers the flexibility and speed they expect. The groups that embrace these tools are separating themselves from the rest of the market."

TECH BOOST

Dealers report these top benefits from their use of recently adopted technology software, including AI tools. They could select up to three options.

Enhanced customer experience	**62.0%**
Better outreach to/communications with customers	**60.9%**
Productivity improvements	**60.3%**
Increased sales	**33.5%**
Better use of staff skills	**33.5%**
Reduced headcount needs	**22.4%**
Enhanced employee experience	**21.8%**
Cost savings	**20.7%**
Higher profits	**11.7%**

Source: Presidio Year-End 2025 Dealer Direction Survey

But as the array of available tools has proliferated, he also noted that a coming phase for many dealers will be "a tech stack cleanup." Dealers want integrated platforms and vendor consolidation to reduce complexity.

Core tech needs of a dealership are expected to remain anchored around DMS and customer relationship management platforms — functions now being supercharged by AI and better integration. Dealers' hope over time is that many of the specialty one-off tools will be embedded in those DMS and CRM systems.

In years past, a store's tech assets were rarely a notable focal point in the M&A process. But in today's buy-sell environment, a dealership group's suite of software is viewed differently. While not a driver of valuation multiples or transaction price, tech is now scrutinized more closely during deal exploration and due diligence, Karolis said. Having a clear view of the assets helps buyers plan post-acquisition steps, but those assets aren't a make-or-break factor when striking a deal.

After a transaction closes, most buyers follow a "rip and replace" approach, canceling the acquired store's contracts and substituting their own preferred vendors, software and processes.

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Lithia Motors exemplifies these trends, investing in Pinewood.AI to strengthen its tech stack. Lithia plans to roll out Pinewood tools, including its DMS, to replace legacy products across its dealerships, including new acquisitions — a move the retailer says will reduce annual tech costs, once estimated at $100 million, by up to $40 million. Lithia CEO Bryan DeBoer has said the change will improve the sales experience, streamline workflows and further reduce costs.

"We've got great people that understand the opportunity and know it's game on and are looking … to leverage the ecosystem and the massive amounts of acquisitions that we've added over the last five years to really differentiate ourselves as operators," DeBoer said last October.

Bottom line: Dealers are adopting AI and other tools to improve customer experience and profitability, making the tech stack an increasingly important factor in the buy-sell market. Groups with robust technology that can be scaled across an expanding footprint via acquisitions will gain competitiveness and value in the increasingly digital U.S. auto retail space.

The Presidio Group

Dealership Transaction Highlights

For more than 25 years, Presidio has assisted clients with everything from single-store deals to some of the largest multi-store transactions in the history of U.S. auto retail. Here are some of our notable recent transactions.

Fletcher Jones Automotive Group, Chicago, IL (Mercedes-Benz, Audi) acquired by AutoNation	Stivers Subaru, Decatur, GA acquired by Lithia Motors, Inc.	Mercedes-Benz Buckhead acquired by Group 1	Park Place Dealerships acquired by Asbury Automotive Group
Hendrick Honda Woodbridge acquired by Ourisman, Est. 1921, Trusted Tradition	Mercedes-Benz Jackson, MS; Mercedes-Benz Collierville, TN acquired by Lithia Motors, Inc.	Bill Brown Ford acquired by Penske Automotive	Larry H Miller Toyota Lemon Grove, Asbury Automotive Group acquired by Vaughan Automotive
Fred Anderson Chevrolet, Nissan of Greer acquired by Escude Automotive Group	Lexus of Wilmington, Asbury Automotive Group acquired by MileOne Autogroup	Umansky Automotive Group, Charlottesville (Mercedes-Benz, Toyota, Honda, Subaru, Jeep) acquired by Flow	Suburban Collection Holdings acquired by Lithia Motors, Inc.
MileOne Autogroup, Chesapeake, VA, Newport News, VA (Acura, Chevrolet, Jeep, Ford, Hyundai, Nissan, Ram) acquired by Southern Auto Group	Land Rover Boerne, TX acquired by Sewell	Group 1 Automotive, Beaumont, TX (BMW, Mercedes-Benz, Honda, Volkswagen, Nissan, Jeep) acquired by Doggett Automotive Group	Hall MileOne Autogroup Honda Huntersville acquired by Hudson Automotive Group