The Presidio Group

Q3
2024

Presidio Perspectives:

A Quarterly Outlook on Auto Retail and M&A Trends

THIRD QUARTER 2024

Presidio Perspectives: A Quarterly Outlook on Auto Retail and M&A Trends

Dealer model proves resilient as profit levels start to stabilize

Welcome to the latest issue of "Presidio Perspectives: A Quarterly Outlook on Auto Retail and M&A Trends," The Presidio Group's quarterly publication that chronicles and captures the shifts in dealership performance, auto technology developments and the dealership M&A market.

With the results of the 2024 election now clear, two key principles are moving to the forefront of the auto retail market: certainty and resiliency.

On certainty: Dealers who were sitting on the sidelines waiting for a sense of political direction tell us they are emboldened to move forward faster on dealership acquisitions. An easing of monetary policy and a loosening in broader financial conditions will potentially mean lower interest rates, which should support an environment of robust buy-sell activity.

In our overview of the dealership buy-sell space, we update readers on deal pace in 2024. Through September, Presidio estimated there were about 290 U.S. transactions involving 440 dealerships. Based on an analysis of historical patterns, Presidio is projecting that count to grow for the full year to about 380 transactions involving around 570 dealerships changing hands.

On resiliency: Late last month we released data from the Presidio-NCM Average Dealership Performance Benchmark which indicates that the downward spiral in profitability for the typical U.S. dealership may be leveling off at numbers far stronger than seen before the pandemic. The numbers underscore the healthy level of resiliency that franchised dealerships are showing in this era of the Great Normalization.

"The modest improvement seen during the just-completed third quarter is the strongest indicator yet that retail automotive's profit tumble could end up stabilizing at a level well above pre-pandemic norms," said George Karolis, president of The Presidio Group. "The improvement in fixed-ops performance was a clear bright spot."

Our data indicates that fixed-operations gross profit increased 5.4% for the average dealership year over year for the first nine months of 2024 and represented 50.7% of total gross profit.

What this report also shows is that dealers have the opportunity to offset future margin declines, specifically through growing fixed operations and improving team member productivity. Service and parts may prove to be the business unit that stabilizes dealership earnings as vehicle prices and margin integrity for both new and used levels out.

As we look toward 2025, we highlight economic factors affecting the consumer that should not be overlooked. This report chronicles the state of the economy in our Data Digest section and introduces a data library — a collection of standing charts covering key macroeconomic and industry data that we'll update each quarter to serve as a quick reference resource for readers.

We show that household debt continues to weigh on U.S. consumers — the rate of auto loans delinquent for more than 90 days rose to 4.43% in the second quarter, the highest it's been since the first quarter of 2021. The percentage of auto loans newly delinquent for 30 days was 7.95%, the tenth sequential increase in that measurement dating back to the first quarter of 2022.

While the cost of borrowing may moderate and new-vehicle transaction prices have softened relative to MSRP in 2024, the consumer is still under pressure. The average sticker price was a record $49,626 in 2024's third quarter, up 2.5% from 2023's third quarter.

Looking ahead for U.S. automobile manufacturing, Presidio Director of Research Kevin Tynan compares the rationalization of the franchised dealer base with automakers' progress on matching production capacity to demand and foresees a reckoning to come on the manufacturing side.

In our Auto Retail Technology Snapshot, we continue to focus on tech companies that are providing dealers with solutions that are enhancing the customer experience and improving dealership operations. In this issue we explore how technology is remaking the automotive logistics sector.

Finally, our M&A section puts a spotlight on OEM-dealer relations and their influence on dealership valuations. Also, as a reminder to readers: We are not changing our dealership valuation guidelines this quarter. Those are adjusted twice a year, and we will revisit them in our fourth-quarter report.

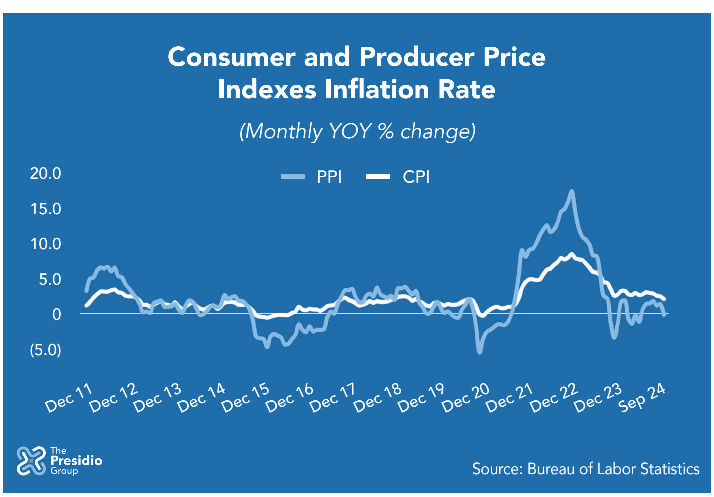
Thank you for reading. We hope you enjoy the latest issue.

Rate cuts and post-election relief could spur more vehicle purchasing

The macroeconomic landscape in the U.S. reflected uncertainty heading into November before both the presidential election and the uptick in consumer spending for the holiday season. With the election now decided and the Federal Reserve trimming its federal funds rate by another quarter-point in early November, consumer behavior may resume a more normal cadence into 2025. A consensus of Wall Street economists polled by Bloomberg forecasted that the Federal Reserve will make one more cut of 25 basis points to its median federal funds rate by the end of 2024 and make additional 25 basis point cuts in successive quarters until the rate levels off at 3% in the second quarter of 2026.

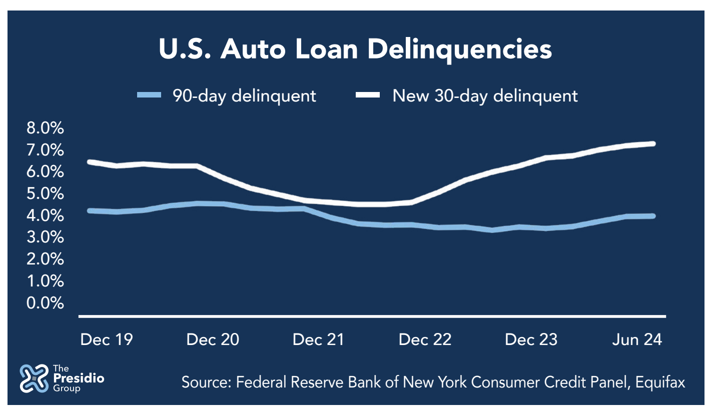
Consumers were viewed as remaining cautious about spending on big-ticket items until after the election. That was not tied to either candidate directly or any expectation that the outcome would immediately change the retail environment in general or the automotive landscape specifically. But the mere removal of uncertainty and distraction now that the election is over could facilitate a ramp up in purchases that had been put on hold.

Consumer prices are forecast to increase between 2% and 3% on a year-over-year basis each quarter through the first quarter of 2026. The increases are expected to fall on the lower end of that range in 2025 and into 2026.

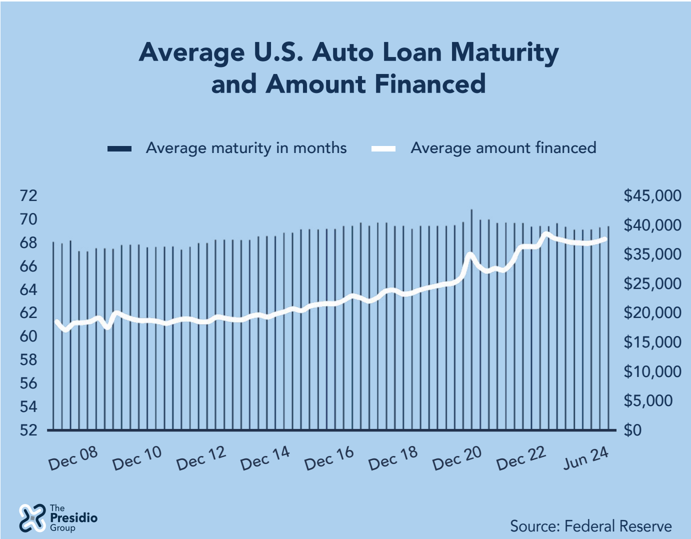


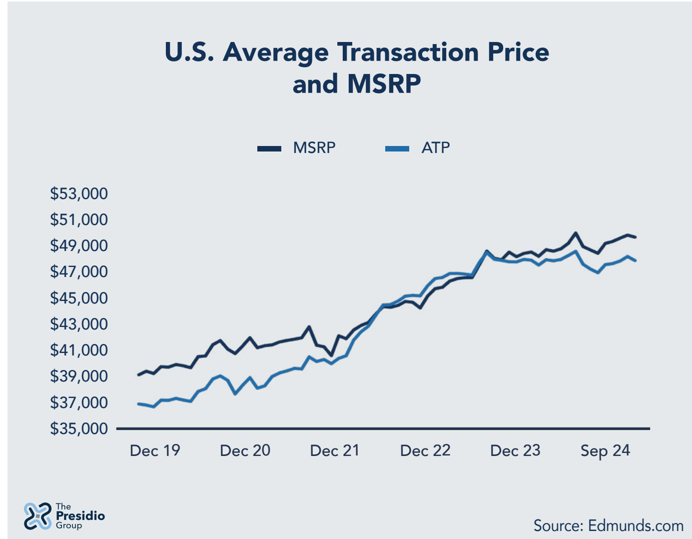
As Consumer Price Index and Producer Price Index increases ease and the Fed's measured reduction of interest rates likely continues through 2026, vehicle buyers in the U.S. should get some interest expense relief. The expected easing of the central bank rate to 3% by early 2026 would mark a healthy drop from today's upper range of 4.75% and an even more significant decline from the 5.5% top range it was at for much of 2023 and 2024.

Household debt continues to weigh on U.S. consumers — the rate of auto loans delinquent for more than 90 days rose to 4.43% in the second quarter, the highest it's been since the first quarter of 2021. The percentage of auto loans newly delinquent for 30 days was 7.95%, the tenth sequential increase in that measurement dating back to the first quarter of 2022. Of all consumer categories tracked by the Federal Reserve's Consumer Credit Panel and Equifax, only credit cards had a higher percentage of new delinquencies in the second quarter.



Consumers have historically lowered their monthly car payment burden by stretching out the loan term, especially during periods of low interest rates. The average vehicle loan term has topped 60 months since early 2012 and rose to as high as 71 months in 2020 before dropping back to the 65- and 66-month levels in 2023 and 2024. That retreat in the average term was a response to higher interest rates after the Fed raised its target rate. Even as the average loan term declined, the amount financed has continued to rise





as the industry's mix of vehicles has shifted further to higher-priced trucks. That average loan amount rose by $7,752, up nearly 25%, since the third quarter of 2019.

While the cost of borrowing may moderate and new-vehicle transaction prices have softened relative to MSRP in 2024, automakers continue to enrich their mix towards higher-priced vehicles with bigger margins. The average sticker price was a record $49,626 in 2024's third quarter, up 2.5% from 2023's third quarter, while the average transaction price rose by just 0.4%, falling $263 short of the all-time high set in the fourth quarter of 2023.

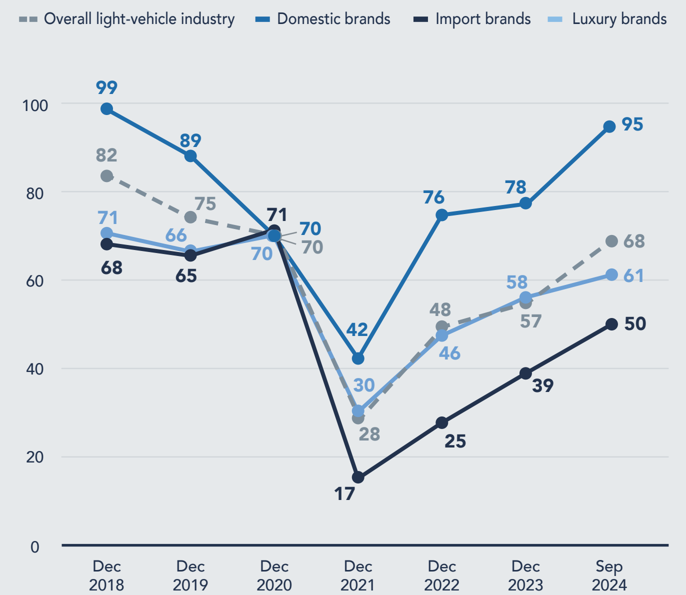
In this year's third quarter, the industry's average discount from MSRP was $1,722, or 3.5% below sticker price, the largest discount since the fourth quarter of 2020 and $1,025 more than a year ago. Leasing as a percentage of total volume came in above 23% for the third consecutive month. Leasing, which is used by automakers to help affordability and drive volume, has now been at that threshold for six of the last eight months. Prior to this past February, lease penetration in the U.S. had not been above 23% since September 2021.

New-vehicle unit sales in 2024's third quarter dropped 1.9% year over year, and quarterly volume equated to a 15.57 million seasonally adjusted annual rate. Because of changing seasonal factors, that third-quarter SAAR came in 0.6% higher than the year-ago level and 0.4% lower than the 15.64 million pace of this year's second quarter.

Buyers are modestly responding to the 3.5% discount at retail, plus factory incentives that averaged $3,047, according to JD Power and GlobalData. Automakers and dealers may need to forego striving for additional price and margin in order to sell down inventory to a manageable level below the 68-day supply mark at which the industry ended September.

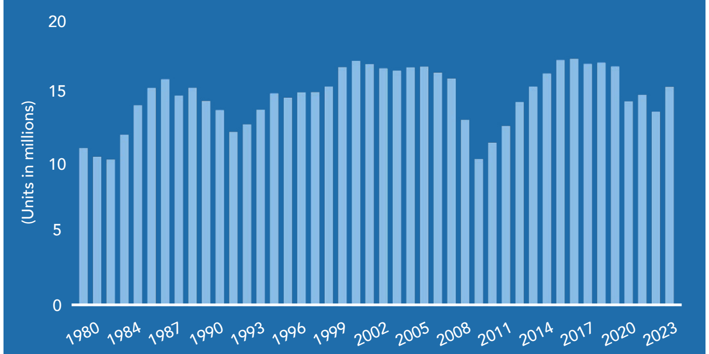
Presidio Data Library

New Vehicle Days' Supply by Brand Category



Source: Wards Intelligence, Presidio analysis

Historical Annual New U.S. Light-Vehicle Sales



Source: Bureau of Economic Analysis

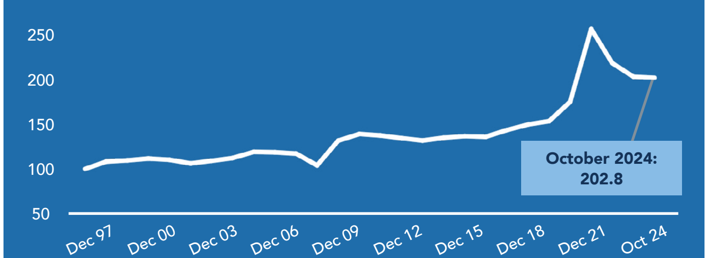
Annual New U.S. Light-Vehicle Unit Sales, Recent and Projected

Source: Automotive News, Presidio analysis

Average Per-Vehicle Dealership Discount from MSRP

Source: Edmunds.com, Presidio analysis

Manheim Used Vehicle Value Index



Source: Cox Automotive

Total U.S. Auto Loan Balance

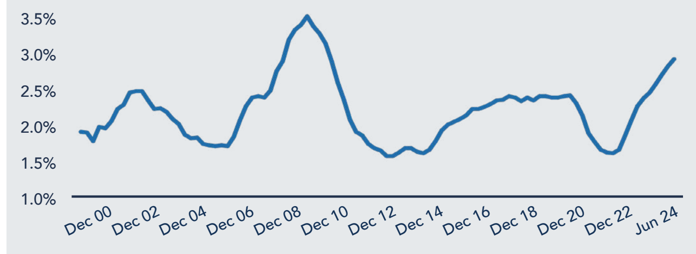
($ in trillions)

Source: Federal Reserve Bank of New York Consumer Credit Panel, Equifax

Monthly Consumer Price Index Inflation Rate

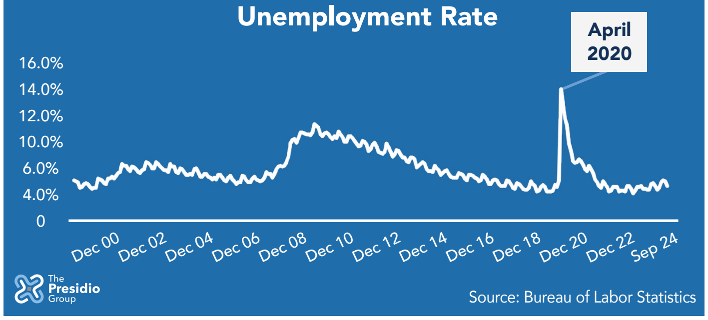
Source: Bureau of Labor Statistics

U.S. Auto Loan 90+ Day Delinquency Rate



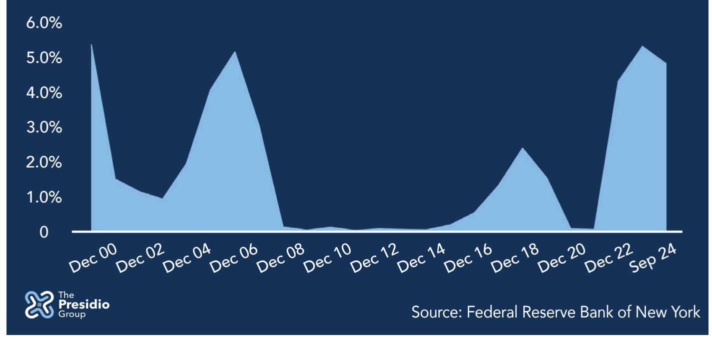
Source: Federal Reserve Bank of New York Consumer Credit Panel, Equifax

Monthly U.S. Unemployment Rate



Source: Bureau of Labor Statistics

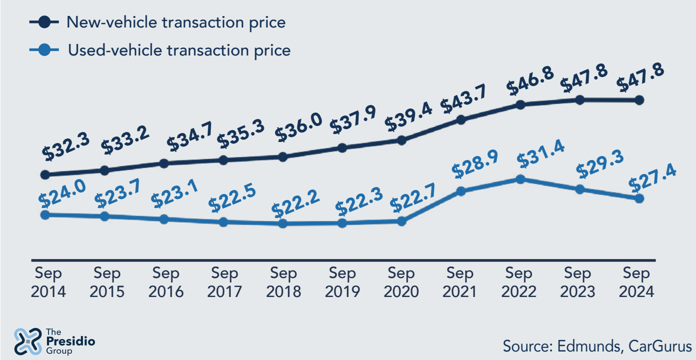
U.S. Federal Funds Effective Rate



Source: Federal Reserve Bank of New York

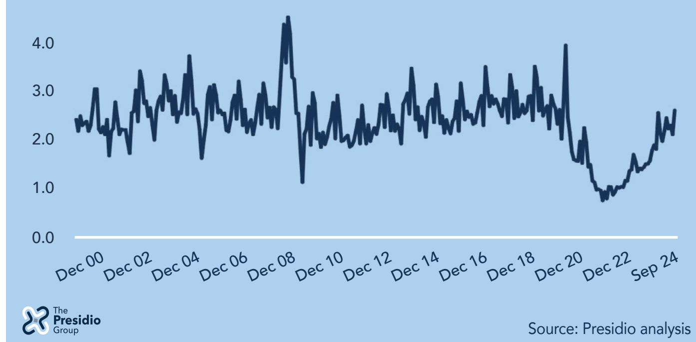
Average New- and Used-Vehicle Transaction Price

($ in thousands)



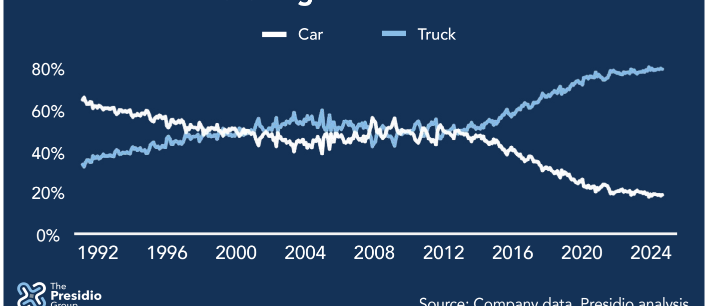
Source: Edmunds, CarGurus

New-Vehicle Inventory-to-Sales Ratio



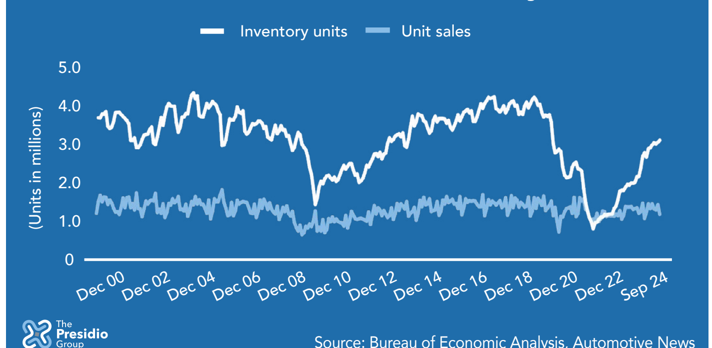
Source: Presidio analysis

U.S. Light-Vehicle Mix



Source: Company data, Presidio analysis

U.S. New-Vehicle Sales and Inventory Volume



Source: Bureau of Economic Analysis, Automotive News

Rationalized dealer base has profit stability in sight while automakers deal with structural costs

Kevin Tynan
Director of Research
The Presidio Group

The franchised dealership base in the U.S. has been rationalized more effectively than automakers' own manufacturing capacity, which significantly exceeds the current and expected level of consumer demand. And as long as automakers keep shifting their products and price points up market, they are likely to continue selling fewer units than in the past. For retailers, that means preparing for a likely new-vehicle market defined by lower volume and higher prices relative to historical norms that sought 18 million units annually. As for automakers, they'll face growing pressure to cut structural costs and reduce their manufacturing footprints.

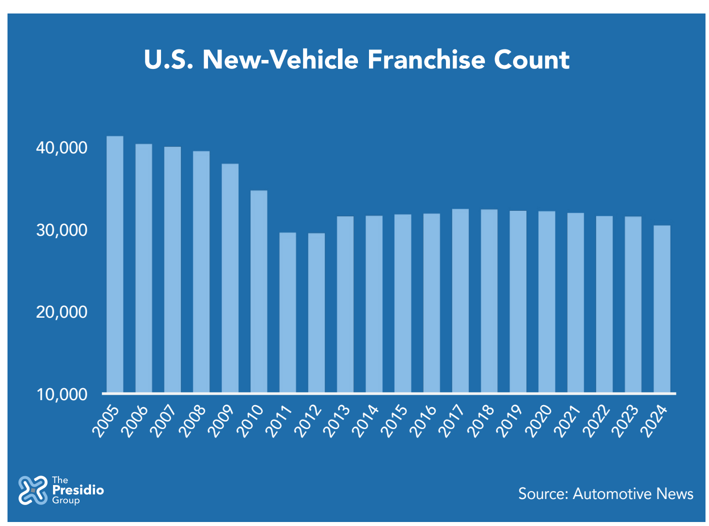
Retailers have a diversified business model that enables them to shift their focus away from new vehicles to other business segments with more favorable margin profiles — used vehicles, parts and service and finance and insurance — while manufacturers are challenged to profitably push new-vehicle volume through unfavorable macroeconomic conditions. As rising material and labor costs cause their breakeven point to drift higher, automakers have been unable to match increased output with profitable incremental demand. This means that attacking structural costs is the likely next — and potentially only — viable option. After moving from one recovery mode to the next during the past 16 years, automakers now face a fixed-cost reckoning as their excess capacity comes up against a possible demand ceiling of around 16 million vehicles annually.

The global financial crisis and the coronavirus pandemic both forced manufacturers and retailers to pare their cost structures. But the franchised dealer base has contracted consistently since 2007, while automakers and suppliers immediately resumed expansion once they had emerged from crisis mode. From 2007 through 2023, the U.S. dealer base contracted by 9,483 franchises or 24%, while new-vehicle production in North America increased by 4.8% during the same period.

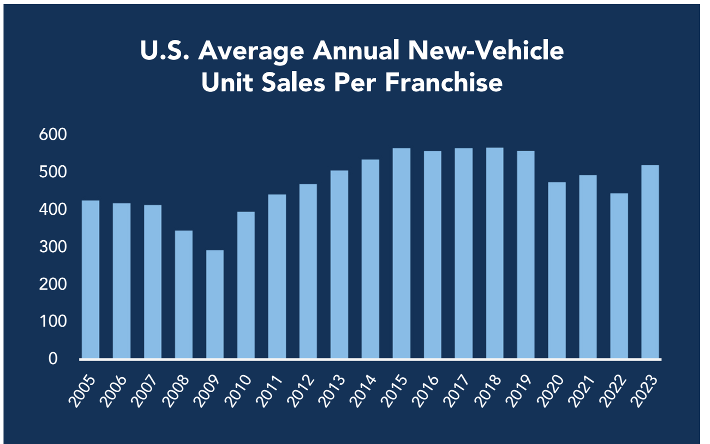
Dealership count reductions offsetting U.S. volume growth struggles

The franchised dealership base in the U.S. is closer to rightsized to current profitable demand levels than their manufacturing peer group. New-vehicle assembly capacity in North America is currently at 22.8 million units annually and forecast for 23.6 million units for 2025. Most of the expansion is expected to occur in U.S. plants, a departure from previous years when Mexico was the region's production-growth center, a position it had held since 2007. New-vehicle sales in the U.S., Mexico and Canada, including vehicles imported from Asia and Europe, stood at 18.5 million units in 2023. Given the market's stagnant volume, it appears that the region's overstuffed — and geopolitically charged — export channel will struggle to absorb the excess capacity.

U.S. dealerships have improved their throughput since the Great Recession. The 30,225 franchises operating at the



beginning of 2024 generated sales of 493 new vehicles per franchise last year, off the 2018 peak of 534 but 23.8% above 398 in 2007, just before the global financial crisis that rationalized the manufacturing and retail footprints of automakers and dealers and reset the U.S. auto industry to a lower breakeven point for both groups.



Source: Company data, Automotive News, Presidio analysis

The industry's franchise count has dropped sharply since the mid-2000s, with the most dramatic attrition happening as sales plunged and brands were discontinued during the financial crisis. There were 39,708 franchises as of Jan. 1, 2008, just as the oppressive fixed cost structure of U.S. automakers and suppliers upended the industry. General Motors reported a net loss of $30.9 billion in 2008. Then-Chrysler Group's net loss that year was $16.8 billion, and Ford Motor Co.'s shortfall reached $14.8 billion. By the start of 2010, the dealership base had contracted by 12.6% to 34,693 franchises. Another 2,370 franchises were eliminated by the beginning of 2017, and 2,098 more were gone by the start of this year.

General Motors shed the most franchises since 2007, losing a total of 7,452. That drop included 1,643 Buick, 1,078 Chevrolet, 888 Cadillac and 525 GMC outlets. Another 3,318 franchises representing Saturn, Pontiac and Hummer were eliminated when those brands were discontinued during GM's 2009 bankruptcy. The franchise reduction has firmed up throughput for GM's remaining dealer base, led by Chevrolet retailers increasing average annual deliveries by 138 units and then GMC with a 97-vehicle jump.

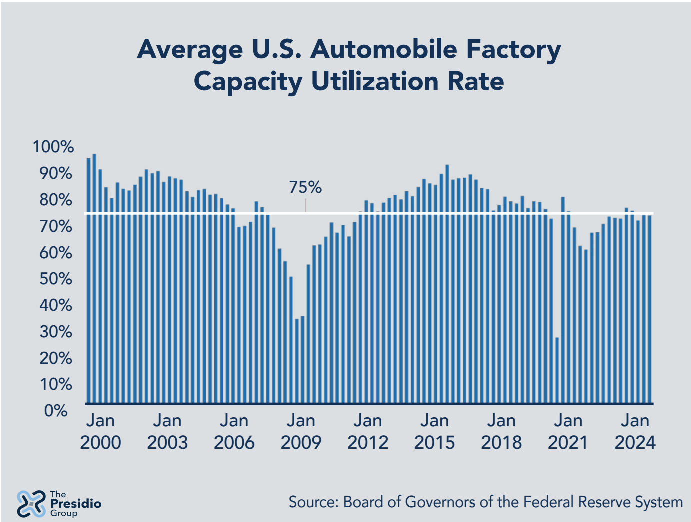
Kia has added 143 franchises since 2007, more than any other make operating at that time. Sister brand Hyundai expanded by 54 and in 2015 spun off Genesis, which had 241 franchises at the end of last year. Even as they've increased outlets, Hyundai and Kia have grown throughput since 2007 — Kia by 77% or 363 units per franchise and Hyundai by 52% or 313 units per franchise.

Dealerships need cost discipline as new-vehicle profitability slips

Though their footprint is relatively rationalized, franchised dealers still have work to do on their own costs as the unprecedented profit environment enabled by pandemic-era low supply and stable demand ends. Cost data from the Presidio-NCM Average Dealership Performance Benchmark demonstrates that many dealers may not have acted quickly enough to rein in the expenses that rose during the profit boom, particularly on the personnel side. The average dealership has seen its net pretax profit plunge 30.4% through the first nine months of 2024 compared with the year-earlier period, but total personnel expense eased by just 1.9% during the same time.

While new-vehicle volume industrywide is up 0.7% through the first nine months of 2024 and a 1.7% gain in average transaction price has driven a $1.2 billion increase in the retail revenue pool, the cost side of the ledger is bloated relative to a year ago. In addition to personnel costs, which rose considerably in 2021 and 2022, dealerships saw advertising costs swell. And floorplan expense is up considerably since the Federal Reserve began raising interest rates in 2022. In 2024, the average dealership's net floorplan interest has firmly swung from a credit to an expense, according to the Presidio-NCM benchmark. Through the first nine months of this year, the average dealership posted net floorplan interest expense of nearly $109,000, a swing from floorplan revenue of nearly $24,000 for the same period in 2023, adding approximately $110 per vehicle in costs. The additional expense is $255 per vehicle compared with the lower-rate environment of 2022.

Normalization has dealers navigating falling margins across the variable side of the business. New-vehicle gross profit per unit for 2024's first nine months dropped by 33.5% to $2,326, while per-vehicle gross profit on the used side fell 19.3% to $1,416. Finance-and-insurance income slid 1.2% to $1,568. Fixed-operations gross profit increased 5.4% for the average dealership for the same period, representing 50.7% of total gross profit. Service and parts may prove to be the business unit that stabilizes dealership earnings as vehicle prices and margin integrity for both new and used levels out.



Low capacity utilization challenges automakers' ability to improve retail throughput

U.S. light-vehicle factories are running at disconcertingly low levels with no catalyst in sight to spur consumer demand at current price points, which are near record highs. These factories have run below 75% capacity utilization rates in 18 of the previous 19 quarters, the second-worst streak in the last 50 years. Only the 2006-2011 period that included the global financial crisis and U.S. automaker bankruptcies was worse — under 75% utilization in 22 of 23 quarters.

The likelihood that new-vehicle volume in the U.S. remains range-bound has implications for the franchised dealer base. The publicly traded dealership groups through the first half of 2024 generated 47% of their total revenue from the sale of new vehicles but only 24% of gross profit. Each of the six public groups counts new vehicles as its largest segment by revenue but parts and service as the leader in gross profit contribution. That implies they likely will be content to stock — and pay floorplan, carrying and distribution costs — on fewer vehicles while interest rates remain historically elevated.

Inventory levels have recovered to nearly 3 million units for the first time in five years. But the average new-vehicle transaction price of $47,574 on a sales-weighted basis for the first nine months of 2024 is 27% higher than in 2019 — the last year the U.S. surpassed new-vehicle sales of 16 million. That is likely to make it difficult for the industry to push much above that volume level without damage to already tenuous profit dynamics.

After all, bullish production levels pushed new-vehicle sales above the 17 million unit mark every year from 2015 though 2019 but required margin-killing incentives to maintain those record levels. Sales scale does not always beget financial stability. For instance, General Motors sold 9.2 million vehicles globally in 2005, the same year its automotive operations lost $5.3 billion — and the company filed bankruptcy just three and a half years later.

Kevin Tynan, Presidio's director of research, has 25 years of investment research experience covering the automotive industry. He was global director of automotive research for Bloomberg Intelligence before joining Presidio in 2024. Contact Kevin at ktynan@thepresidiogroup.com or 631-671-9148 to discuss research topics.

What We Do

The Presidio Group is an independent merchant banking firm focused on mergers and acquisitions, capital raising, and investments in the automotive retail and consumer mobility sectors. Our team has an exceptional breadth and depth of experience in the auto retail and technologies sectors as well as deep relationships in the broader corporate and financial communities. Our mission is to relentlessly put our clients' needs first.

Dealership profit decline starts to level off

New data from the Presidio-NCM Average Dealership Performance Benchmark indicates that the downward spiral in profitability for the typical U.S. dealership seems to be leveling off.

Through the first nine months of 2024, net pretax profit for the average franchised store dropped 30.4% compared with the same period in 2023. While still a big drop, it marks a minor improvement from the 33.4% decline recorded for the first six months of this year.

The data suggests that dealership profitability may finally be reaching a new level of normal after sharp pandemic-era increases made way for steep declines the past two years. If dealership profitability is finally leveling off, that new normal is well above what was typical before the pandemic. The average dealership's pretax profit for 2024 through September was 1.8 times 2018's level, according to the Presidio-NCM data.

New-vehicle margins continued to drop over 2024's first nine months, while used-vehicle margins improved from their levels at mid-2024. The average dealership was helped in part in the last quarter by a strong fixed-operations performance, which narrowed the drop in overall gross profit. Of course, brand and geography continue to be crucial factors in how well any particular dealership performs. Some brands have done a better job than others to preserve the variables supporting elevated profitability.

While the signs of improvement in the most recent quarter are encouraging, plenty of uncertainty persists and could influence this positive trend in either direction. For instance, the impact of inflation and waning consumer savings, the speed of interest rate relief and the outcome of the U.S. election are several key factors at play in the near term.

"We at Presidio have been watching the normalization trends closely for signs of leveling off, and the modest improvement seen during the just-completed third quarter is the strongest indicator yet that retail automotive's profit tumble could end up stabilizing at a level well above pre-pandemic norms," said George Karolis, president of The Presidio Group. "The improvement in fixed-ops performance was a clear bright spot. But the overall situation is fluid and should be viewed with caution. It won't be clear that we've reached a new normal until we've seen the leveling off over several successive quarters. Even then, that new normal will vary significantly depending on a dealership's brand and location."

The Presidio-NCM Average Dealership Performance Benchmark is based on aggregated financial results of more than 3,900 U.S. franchised dealerships of all brands

Current Snapshot

Here's a quick look at the average dealership performance through the first nine months of 2024:

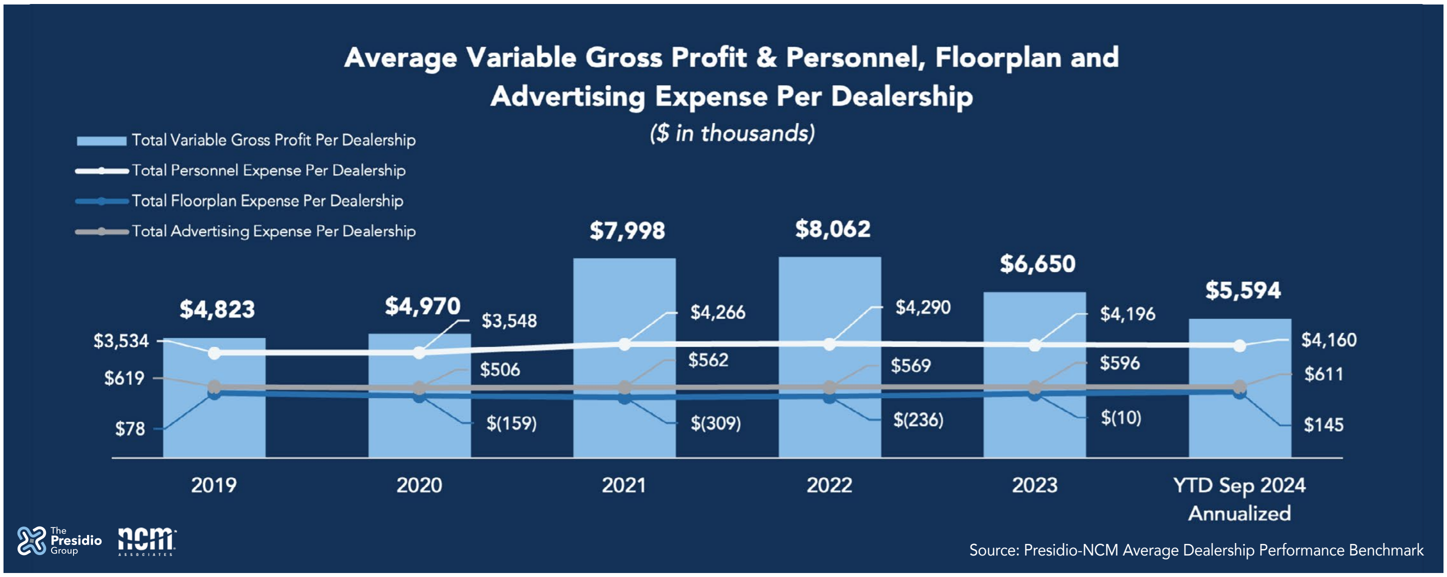
Profit change year over year:

↓ 30.4%

Revenue:	$61.6M	↓ 2.0%
New vehicles retailed:	647	↑ 1.6%
Used vehicles retailed:	551	↓ 0.2%
Gross profit per new vehicle retailed:	$2,326	↓ 33.5%
Gross profit per used vehicle retailed:	$1,416	↓ 19.3%
F&I income per retail unit:	$1,568	↓ 1.2%

Source: Presidio-NCM Average Dealership Performance Benchmark

† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO



and sizes that work with NCM Associates, which provides 20 groups, consulting and training to dealers across the country. The number of outlets contributing data represent more than a fifth of all 18,000-plus dealerships in the U.S.

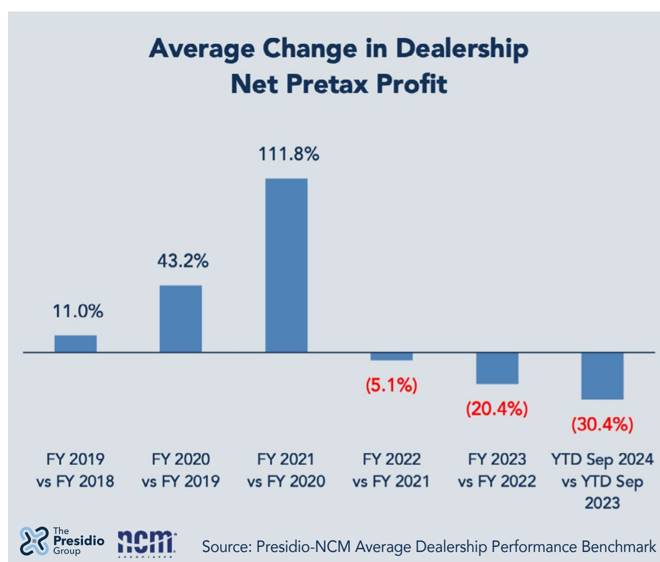
The average dealership's slight moderation in profit decline for the nine-month period compared with the six-month period may have had a connection to the June cyberattacks on CDK Global. Industry forecasters said the massive weeks-long disruption to dealership operations caused by the CDK system outage hurt results in the final days of the second quarter but that stores could recover some of that revenue, at least as related to deferred vehicle sales, later in the year.

In addition to the moderating net profit decline, the Presidio-NCM benchmark revealed other areas of improvement for the typical dealership.

Vehicle margins seem to be stabilizing to varying degrees.

The average gross profit per new vehicle retailed dropped 33.5% during the first nine months of 2024 to $2,326, a slightly lower dollar figure than recorded through June. But the average gross profit per used vehicle actually showed improvement against the first six months of the year. That measurement dropped 19.3% to $1,416 through September compared with a 22.9% drop to $1,404 per vehicle for the first six months. Finance-and-insurance income has been steady in recent quarters, dipping only slightly from $1,574 through June to $1,568 through September.

"It's encouraging to see the erosion of profit for the average dealership moderating," said Paul Faletti, CEO of NCM Associates. "To ensure that their operations are ready for



† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO

wherever the new normal lands, dealers should continue to scrutinize their expenses and other operational metrics and make the necessary adjustments to maximize earnings moving forward."

The need to better manage costs was revealed by new data on personnel, floorplan and advertising expense that was added to the Presidio-NCM benchmark in mid-2024.

Through the first nine months of 2024, the average dealership saw variable gross profit plunge 33.2% compared with the same period in 2022, but total personnel expense fell just 3.8%. On a year-over-year basis, personnel cost for the average dealership dropped 1.9% during the first nine months of 2024. Many dealers still have work to do to control costs relative to production for optimal performance as the decline in variable gross continues to outpace personnel expense decline.

Fixed operations was a positive for the quarter and helped offset continued falloff on the variable side of the business, which declined 18.2% year over year for the first nine months of 2024. By contrast, the average store's gross profit from fixed ops rose 5.4% for the same period and helped limit the decline in overall gross profit to a drop of 7.7% compared with the first nine months of 2023.

The gains in fixed-ops gross profit helped drive the average dealership to a fixed absorption rate of 70.4% through the first nine months of 2024 versus a rate of 68.2% for the same period in 2023.

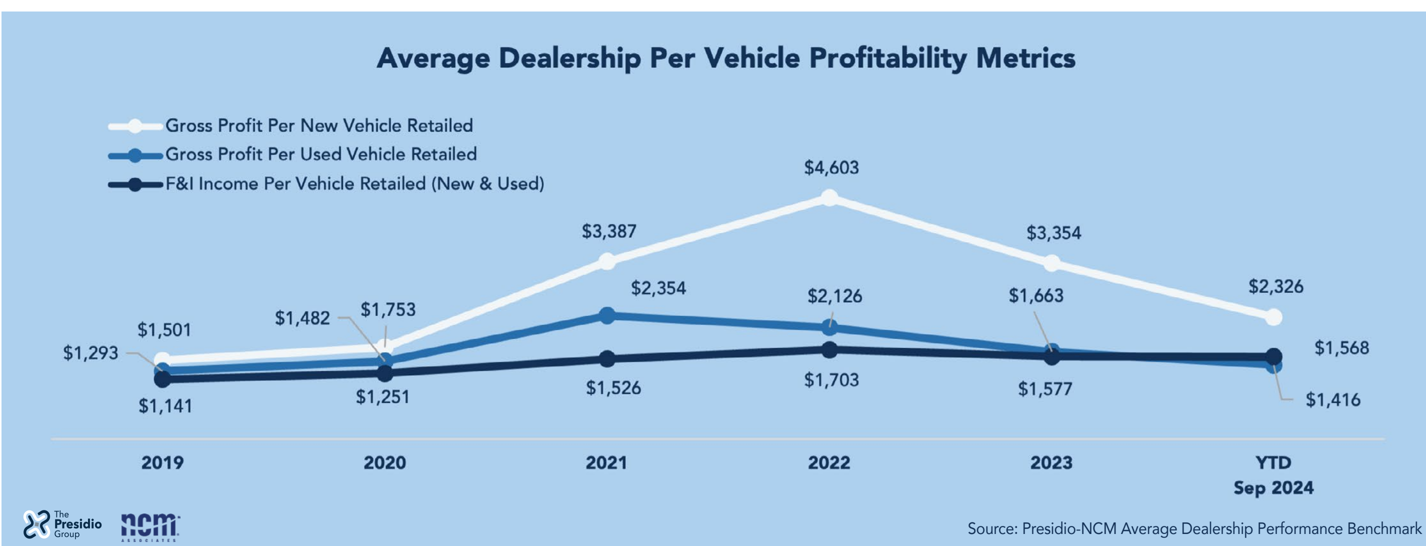
On the volume side, the story continues to be somewhat static unit sales even as inventory has grown for many brands. New-vehicle supply for the overall industry stood at 68 days at the end of September, according to a Presidio analysis of Wards Intelligence inventory data.

Concerns about affordability and high interest rates, plus economic uncertainty in advance of the 2024 election, have kept some buyers on the sidelines. It will be interesting to see whether the expected continuation of the Federal Reserve's interest rate-cutting campaign will help boost sales in the post-election period.

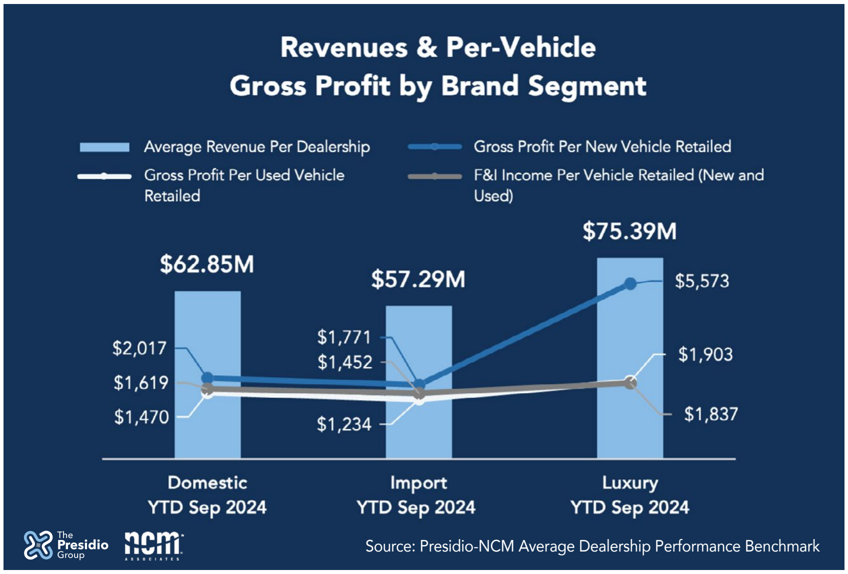
Through the first nine months of 2024, the average dealership retailed 647 new vehicles, up 1.6%. It retailed 551 used vehicles during the same period, down 0.2%. Total retail volume was 1,198 vehicles. Total revenue per store was $61.6 million, down 2%.

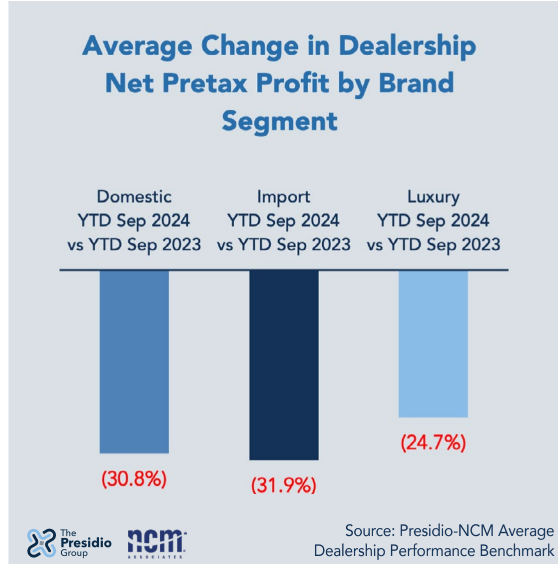
Used-vehicle supply continues to be tight as the new-vehicle production constraints and leasing drought of two and three years ago come home to roost on the used side of the business. That used-vehicle supply challenge will continue and could even be exacerbated in some regions by recent hurricane-related vehicle destruction. Franchised dealerships are likely to face challenges improving used-vehicle sales volume until that supply situation normalizes.

The combination of more supply and higher interest rates this year has pressured dealership floorplan interest, which has swung from a credit to an expense in 2024. Through the first nine months of 2024, the average dealership posted net floorplan interest expense of nearly $109,000. That's a swing from a gain of nearly $24,000 for the same period in 2023. Dealers can make money on floorplan during low-rate environments because of credits that automakers pay to dealerships. On a per-vehicle basis, net



† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO





floorplan interest cost the average dealership $90 instead of earning it $20 as in the year-earlier period, combining for a total difference of $110 per vehicle retailed.

Advertising costs for the average dealership rose 4.1% through the first nine months of 2024, an increase of $10 per vehicle retailed.

The Presidio team believes that brand and geography will continue to play a major role in dealership performance and profitability.

The variables can differ widely by brand; some automakers are managing production, inventory and incentives far better than others. On inventory, for instance, the domestic brands have seen supplies soar this year, ending September at a 95-day supply as a peer group. By contrast, certain Japanese brands such as Toyota and Subaru have extremely tight supplies.

The importance of brand is apparent in Presidio-NCM benchmark data segmented by brand type. All three brand segments saw narrower declines in net pretax profitability for the average dealership during the first nine months of 2024 compared with the first half of the year. That demonstrates that the leveling off discussed earlier is happening broadly, an important step in finding a new operating normal for the industry.

The luxury-brand segment continued to outperform both domestic and import-brand segments. The average luxury store experienced a 24.8% year-over-year profit dip during the first nine months of 2024 versus a 32.0% slide for import and a 30.8% drop for domestic.

Vehicle margins for luxury stores also continue to do better. Average gross profit per new vehicle for the luxury segment was $5,573 through the first nine months of 2024, a year-over-year slide of 17%. Gross profit per used vehicle was $1,903, down slightly from midyear and down significantly year over year.

Average gross profit per new vehicle for domestic stores slid 37% year over year to $2,017. Gross profit per used vehicle came in at $1,470, up slightly from midyear but down year over year.

Average gross profit per new vehicle for import-brand stores dropped 38% year over year to $1,771. Gross profit per used vehicle was $1,234, up slightly from the first half but down year over year. Though the import segment experienced the steepest profit slide, it's important to note that certain brands in that segment — notably Toyota, Subaru and Honda — have some of the best-performing dealerships in the industry.

A key takeaway evident across all brand segments: While new-vehicle margins are still falling, used vehicles may be finding their new normal on profitability.

It may mean stabilization is right around the corner. And if performance firms up at levels well above the pre-pandemic norms, the Great Normalization will prove yet another event validating the resiliency of the dealership model.

† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO

DEALER DIRECTION SURVEY/ BRAND DESIRABILITY RANKING

Presidio conducts its Dealer Direction Survey twice a year, providing a view into dealers' outlook on dealership profitability, value and the buy-sell market. Survey takers also rate vehicle brands to inform the Presidio Brand Desirability Ranking.

New surveys are conducted for Presidio's second- and fourth-quarter publications. In the in-between quarters, we'll recap the most recent survey — in this case taken by respondents representing more than 2,600 franchised dealerships from June 10 through Aug. 1. The survey revealed dealers' long-term optimism about the business even as they acknowledge profitability is still normalizing from pandemic highs.

Almost two-thirds, 63%, expected dealership profits to decline over the next 12 months, down from 68% in last winter's survey. More than half expected profits to stay the same or increase over the next three years.

Dealers generally want to expand. About 69% expressed interest in buying dealerships over the next year. A majority, nearly 55%, said store valuations would drop during that timeframe, but that view fell to less than half when applied to a three-year horizon.

Several dealers said they think good deals will be available as bigger groups look to sell stores as part of portfolio management efforts. Dealers were most worried about economic issues like interest rates and vehicle affordability in the short term and direct sales models and automaker margin cuts in the long term.

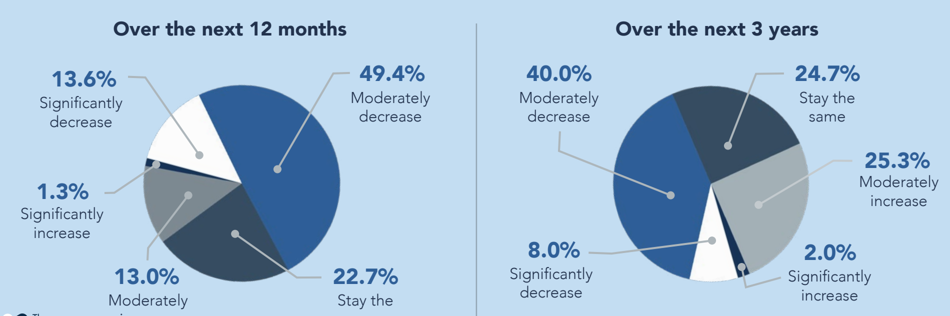
The Presidio Brand Desirability Ranking is determined by survey takers who rate the desirability of owning dealerships representing specific brands. Most brands sold in the U.S. are given as options.

Toyota and Lexus topped Presidio's ranking as they have since the inaugural list. After three sets of rankings, the patterns are clear: top-tier Japanese brands are generally most favored, followed by top German luxury makes and then the South Korean brands. Domestic brands rank from the middle of the pack to near the bottom.

No one moved up or down the ranking more than one or two spots this time save for Chrysler-Dodge-Jeep-Ram, which dropped by four places to the No. 23 spot as high supplies and weak consumer demand hurt profits at CDJR dealerships.

For a more detailed summary of Presidio's midyear survey, see our second quarter report here: **https://thepresidiogroup.com/Presidio-Dealer-Survey-Q2-2024**.

How do you think dealership profitability will trend?



The Presidio Group

Source: Presidio Midyear 2024 Dealer Direction Survey

Brand Ranking

Dealers responding to a Presidio survey ranked the desirability of owning stores representing the following brands:

Toyota	9.33
Lexus	9.01
Honda	8.26
Porsche	7.79
BMW	7.78
Subaru	7.69
Mercedes-Benz	7.59
Kia	6.88
Hyundai	6.56
Audi	6.01
Chevrolet	5.66
Ford	5.34
Jaguar-Land Rover	5.03
Mazda	4.81
Buick-GMC	4.62
Genesis	4.52
Volkswagen	3.99
Acura	3.96
Ultraluxury	3.90
Cadillac	3.75
Volvo	3.42
Nissan	2.97
CDJR	2.82
Lincoln	2.78
Infiniti	2.59

The Presidio Group

Source: Presidio Midyear 2024 Dealer Direction Survey

Full Throttle Replay

The Presidio Group's Full Throttle podcast brings together industry leaders on a regular basis to discuss retail trends, innovation and thought-provoking business models. Jason Stein, Presidio's director of multimedia and events, interviews some of the industry's key personalities and insiders — from legendary dealers to up-and-coming entrepreneurs.

Tune in here to stay ahead of industry news and learn how some companies are thriving in the new automotive landscape: **https://thepresidiogroup.com/podcast/**

Here are edited excerpts of recent interviews:

McLarty Associates Chairman Thomas F. "Mack" McLarty III

PRESIDIO: Give us the state of the retail world from your perspective and the conversations that you have with your family about where the dealer space is today.

MM: We're back to the new normalization — kind of the renormalization of the automobile business.

Hopefully there were some lessons learned both by dealers and OEMs and others.

Number one, you've got to recruit and take care of your people. You've got to build a culture that supports your people, that makes them feel this is a good place to work and to be there for their career.

You've got to really, really place that as a high priority. Again, I think almost every successful organization does. That goes hand in hand with your customers. Customer starts first because there's no business without a customer. But the people are with that.

And, of course, the relationship with your OEM partner. And then you have other important stakeholders, including your lenders and bankers and so forth. So that's the fundamental of the business. That has not changed.

Cox Family Office CEO Sandy Schwartz

PRESIDIO: What is your advice to entrepreneurs who have a great technology and might have capital in front of them, or an aggregator in front of them, or they're trying to attract attention?

SS: The first thing I would tell you: Great ideas and really smart people are a dime a dozen. That doesn't mean to discourage anybody. But getting the idea and getting a little bit of funding is really not that hard. What's really hard is building a business and then taking it to the next level.

Secondly, the best technology in the world still takes an individual to have a magic touch. Even as we move into this AI world, which I'm very, very big on, it's still the human brain and the human touch that will set you apart from other people.

The best thing these entrepreneurs can do is use their brains, use their technology — but listen. Listen to what the market's saying. Listen to empirical data. That will take you to the next level.

To suggest a guest:

Email Jason Stein

jstein@thepresidiogroup.com

To tune into Full Throttle:

A PRESIDIO PODCAST

FULLTHROTTLE

The meeting point for automotive retail and technology

HEAR FROM THE INDUSTRY'S BEST ON THE INDUSTRY'S BEST PODCAST

Presidio's Full Throttle Podcast, hosted by Presidio Managing Director Jason Stein, brings together industry leaders to discuss retail trends, innovation and thought-provoking business models.

SELECT FULL THROTTLE GUESTS

Chris Walsh
Reynolds and Reynolds

Mike Maroone
Maroone USA

Don Flow
Flow Automotive

Daryl Kenningham
Group 1 Automotive

David Hult
Asbury Automotive Group

Rita Case
Rick Case Automotive Group

Mack McLarty
McLarty Associates

Damian Mills
Mills Automotive Group

Scott Gunnell
JM&A Group

Pearl Percy
JM Family Enterprises

John Bergstrom
Bergstrom Automotive

Mark McLarty
McLarty Automotive Group

Jonathan Smoke
Cox Automotive

Liza Borches
Carter Myers Automotive

Rob Cochran
#1 Cochran Automotive

Larry Zinn
Warren Henry Auto Group

Steve Rowley
Cox Automotive

Dimitris Psillakis
Mercedes-Benz USA

ThePresidioGroup.com/Podcast

M&A UPDATE/PRESIDIO VALUATION INDEX

The Presidio Group's 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 deals in the real world. Our analysis includes:

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

Overall Market Update

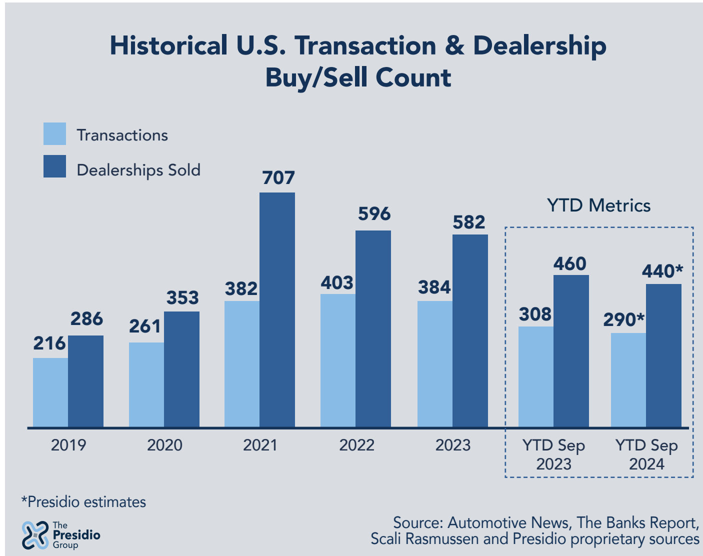
As 2024 begins to draw to a close, we see some distinct changes happening in the buy-sell market. The transaction environment is still strong with plenty of interested buyers and sellers, but the activity level is a bit choppier. Several factors have contributed to this, including the normalization of earnings, inflationary pressure and the uncertainty of the presidential election. Many dealers we speak with have been sitting on the sidelines until after the election. They now tell us they feel positive about the outcome and enthused about dealmaking.

Deal pace, while slightly off from year-ago levels, continues to be generally robust. Through September, Presidio estimated there were about 290 U.S. transactions involving 440 dealerships.

After evaluating deal data from the last three years, including the timing patterns of when transactions closed, Presidio estimates that full-year 2024 could produce as many as 380 transactions involving around 570 dealerships. That would put 2024 just behind transaction totals for the previous three years. While the number of dealerships changing hands would only slightly lag 2022 and 2023, it would be well behind the blockbuster year of 2021 when several megadeals pushed the number of stores sold to 707.

It's still very much a seller's market for dealerships representing desirable brands and in desirable locations. Brand and geography matter more than ever now, and demand for dealerships representing certain challenged brands has waned.

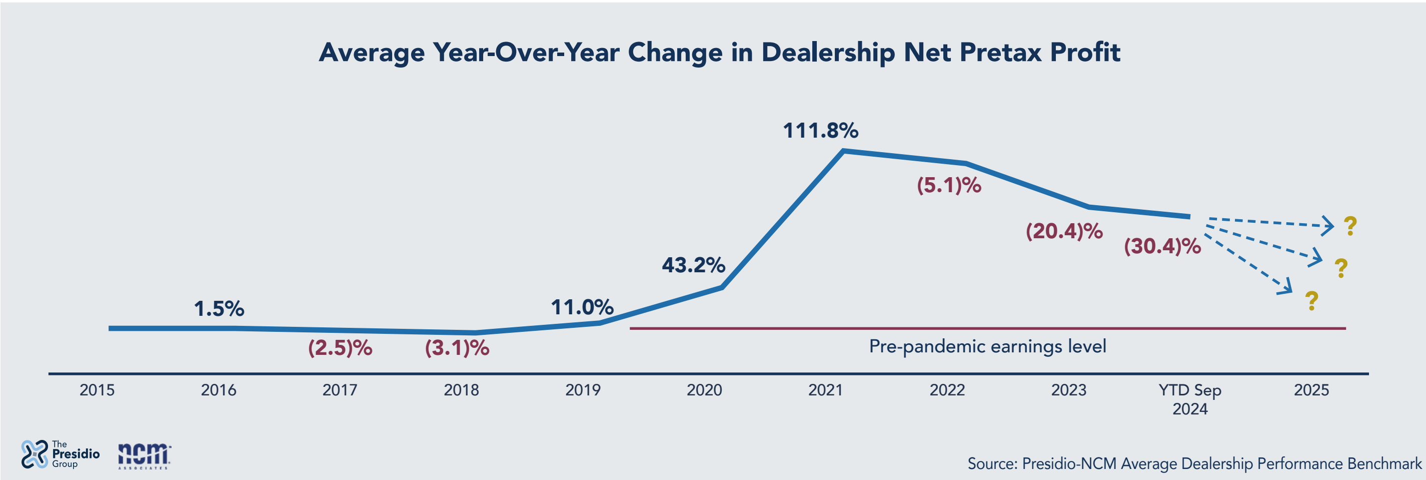
Another key for sellers to ensure successful transactions? Being rationale about pricing. While we have seen the bid-ask spread start to narrow, which is encouraging, we have seen some potential deals where transactions didn't get to the finish line because of unrealistic expectations by sellers. Given the choppier environment and this sometimes-unrealistic expectation on pricing, we've observed a lower success rate on deals Presidio has not been involved in, despite a high volume of dealerships on the market.



On the bright side, however, we expect the bid-ask spread between buyers and sellers to shrink further and come closer to parity over the next three to six months. With the election now decided, we could see more positive trends around deal closings in the near future.

Digging deeper into this year's transaction data, private dealers acquired 96% of all U.S. dealerships sold during 2024's first nine months, a higher rate than the 92 percent seen in the first half and back in line with what was typical the previous two years.

Publicly traded dealership groups acquired 26 U.S. dealerships in 10 transactions through September, slightly behind the pace of 31 stores for the same period in 2023. Lithia Motors Inc. led in U.S. acquisitions with 14 stores, followed by Group 1 Automotive Inc. with nine. The publics collectively divested 26 U.S. stores during the same period, slightly ahead of last year's pace of 21 stores. Among those divestitures, Presidio advised Group 1 on the sale of six dealerships in Texas and Asbury on the sale of one dealership in Delaware.



The publics collectively spent $3.1 billion on acquisitions during the first three quarters of 2024. That included some large purchases overseas by Lithia, Group 1 and Penske Automotive Group Inc.

The typical U.S. franchised dealership recorded a 30.4% decline in net pretax profit through the first nine months of 2024, according to the Presidio-NCM Average Dealership Performance Benchmark. That was slightly better than the 33.4% drop posted for the first half, demonstrating that industry profit moderation from pandemic-era highs is leveling off. This stabilization is another factor that should set the stage for increased deal activity.

Brand Watch

Each quarter, the Presidio team shares our view on certain automaker brands operating in the U.S. We evaluate brand-level valuation parameters for potential changes twice a year, after the second and fourth quarters. In the interim quarters, we share notable developments that we are tracking. Our aim is to inform readers about factors that affect both brand health and the valuation of dealerships representing those brands. While we are not adjusting valuation guidelines this quarter, we share the following about brands we are watching closely:

- **Toyota** continues to gain momentum with buyers. It is often the first brand on acquisitive dealers' target list. An East Coast dealer recently told us he would buy a Toyota dealership anywhere in the U.S. Given this demand, Toyota's valuation premium remains solid and could increase.
- **Hyundai and Genesis**, brands with steady increases in performance and dealership value since the pandemic, now face some challenges resulting from their aggressive facility requirements and the heavier-handed approach they've taken with dealer partners particularly around buy-sells. The dynamic threatens Hyundai store values as the pool of buyers desiring the brand could shrink.
- **Stellantis** dealers are expressing a slight uptick in positivity around incentives after meeting with automaker executives a few weeks ago. But as one dealer put it, Stellantis only gave drowning dealers a straw to breathe through. Current inventory levels and vehicle mix remain out of balance, and meaningful product updates are still years away.
- **BMW's** inventory levels and sales volume are being monitored closely for their progress against other luxury brands. We also keep an eye on how brands are navigating through electric vehicle supply-demand imbalance. From a valuation stance, brands in this segment continue to chase steady performer Lexus, the top-ranking luxury player in the Presidio Dealer Direction Survey.
- **Subaru's** sales trajectory continues to outpace the industry, but the metric that bears watching is discounting off MSRP, which has increased more for Subaru than any other high-volume Asian brand. Even so, Subaru's inventory balance favors vehicle pricing and margin strength, and the brand is still highly desired among buyers.

- **Mazda's** third-quarter sales rose 15%, more than any other brand selling more than 100,000 units in the quarter. We've been noting Mazda as a sleeper brand, and evidence for that continues. More dealership buyers are putting Mazda on their target lists.

The Presidio Valuation Index

When valuing a dealership, it's all about expected normalized future earnings, which typically influence 80 percent of the equation for most mainstream brands. Presidio considers this when determining both 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, while dealership earnings have grown and changed dramatically. Predicting sustainable earnings is the more volatile part of the calculation, particularly in the current era where dealership profitability is erratic and seeking its new normal.

Average dealership profitability dropped about 20 percent in 2023 and was down more than 30 percent through the first nine months of this year, though 2024's rate of decline appears to be leveling off. 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%

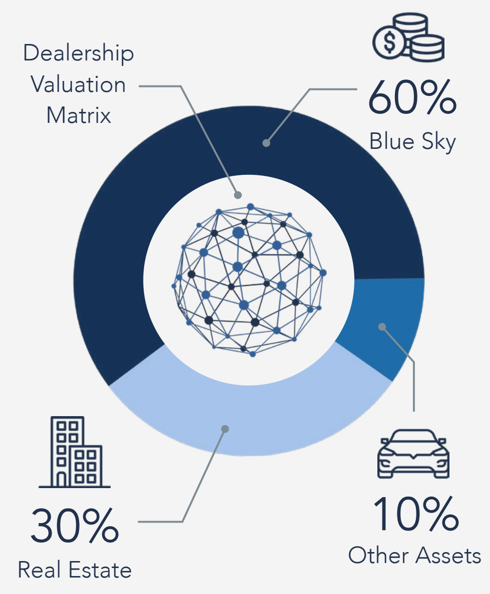
Revenue multipliers help eliminate volatility associated with changes in dealership earnings and can be seen on the Presidio Valuation Index page that follows. Revenue multipliers remain a great barometer for estimating initial dealership valuation as they help neutralize earnings volatility and associated 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 to determine value is inadequate. 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 will evaluate each brand's status with regard to the three pillars twice a year and then revise multiples or other factors as needed. While we believe our approach can help 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 developed by our team to help estimate dealership value according to brand. There are no changes in the brand-level valuation guidelines this quarter. Presidio evaluates and adjusts those twice a year, after the second and fourth quarters. As year-end approaches, the overall deal environment has gotten choppier, but a seller's market persists for dealerships representing desirable brands as long as pricing expectations are rational.

Presidio Valuation Pillars →	Blue Sky as % of Revenue Range	Blue-Sky Multiple Range	Average Estimated ROI	Number of Dealerships	Number of New Vehicles Sold/Dealership
Porsche	55% - 70%	9.0 - 10.0	<10%	198	381
Lexus	50% - 65%	9.0 - 10.0	↑	244	1,312
BMW	45% - 55%	7.75 - 9.0		349	1,035
Toyota	40% - 50%	7.5 - 9.0		1,237	1,558
Mercedes	43% - 53%	7.25 - 8.75		384	916
Land Rover	33% - 42%	6.0 - 7.5		202	323
Honda	26% - 40%	6.0 - 7.25		1,070	1,088
Subaru	30% - 35%	6.25 - 7.25		640	989
Audi	30% - 40%	6.0 - 7.0		305	750
Kia	15% - 25%	4.5 - 5.5		788	997
Hyundai	15% - 25%	4.0 - 5.0	15%	841	956
Chevrolet	14% - 20%	3.75 - 4.75		2,898	586
Ford	14% - 20%	3.75 - 4.75		2,902	648
Volvo	13% - 18%	3.5 - 4.5		282	457
Cadillac	12% - 17%	3.25 - 4.25		567	260
Mazda	12% - 17%	3.25 - 4.25		542	669
Buick-GMC	10% - 15%	3.25 - 4.25		1,671	337
Acura	10% - 15%	3.0 - 4.0		272	536
Volkswagen	10% - 15%	3.0 - 4.0		640	514
CDJR	4% - 10%	2.5 - 3.5		2,406	666
Nissan	4% - 10%	2.5 - 3.5	↓	1,079	773
Infiniti	4% - 10%	2.25 - 3.25	20%	201	319

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

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

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

Presidio's Valuation Matrix Spotlight

Dealer-OEM Relations

An OEM's policies, product situation and approach to buy-sells are key influencers of dealership value

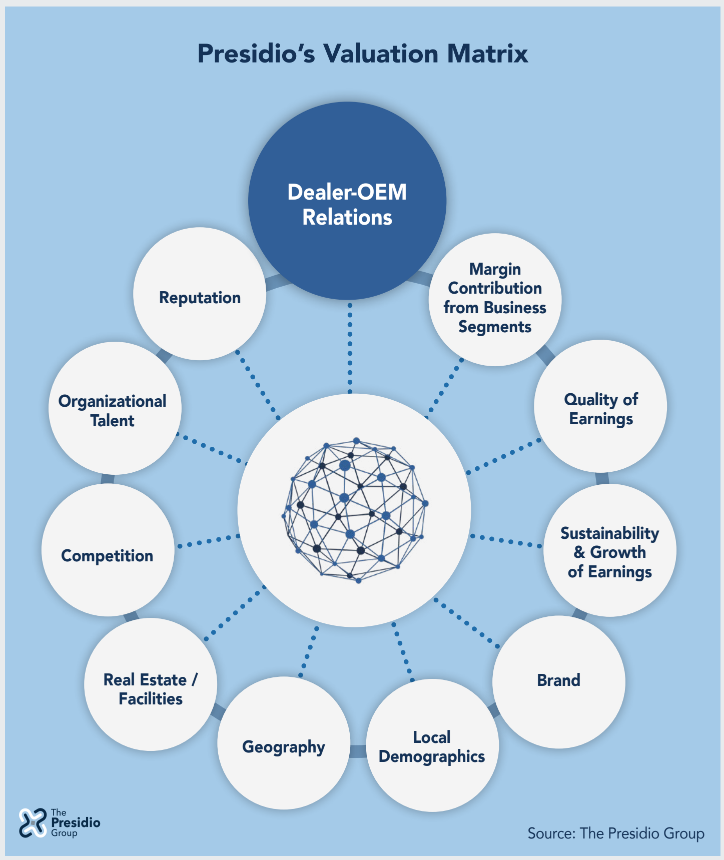
Dealer-automaker relations — in areas ranging from a brand's support programs and product competitiveness to its approach on approving buy-sell transactions — impact the valuation of a dealership in a myriad of ways. It is important for both buyers and sellers of dealerships to understand these dynamics and how to appropriately navigate automaker-related issues during a buy-sell process.

The Presidio team's experience handling hundreds of transactions has given us deep insight into how these factory relation issues play out in the real world and how specific brands approach these matters and thus influence dealership values and transaction execution success. We group these factors involving automaker partners into four main areas:

Overall tone on transaction approval and use of right of first refusal clauses (ROFRs): Essentially, is an OEM friendly or adversarial to buy-sell deals? Does it follow state franchise laws? How actively does it leverage ROFRs? When brands consistently follow state laws and are open to all qualified buyers, the dealerships in their networks can be worth more.

Several automakers over the last decade-plus have increased their attempts to exercise ROFRs for reasons ranging from increasing the number of minority owners to concentrating ownership of network dealerships into fewer hands. When OEMs become known for leveraging these clauses, it can lead to more buyers removing those brands from their shopping lists and potentially hurt dealership values by way of fewer or lower-priced offers from the outset.

This potential throttling of the proceeds an owner can get from selling his or her business has led dealer associations in several states to lobby for prohibitions of the practice. About a dozen states now largely block the use of right of first refusal, including some highly desired states such



Source: The Presidio Group

as Florida, Texas, South Carolina and North Carolina. While these prohibitions can help, we have heard from dealers that certain automakers sometimes flout these laws and turn down qualified buyers and try to redirect deals to purchasers of their choosing.

Many automakers actively use ROFR clauses to influence their dealer networks.

Mercedes Benz, for example, appears to prefer fewer owners and more scale for existing dealers, but its ROFR efforts have perhaps had more bark than bite. Presidio's experience on several deals involving Mercedes demonstrates that it provides more flexibility on deal approvals than is commonly perceived.

On the other hand, a different brand recently seems to be focused on reducing its overall owner count by creating larger territories, each controlled by a single dealer. In one recent example, in a state where ROFRs are generally prohibited, the brand turned down a buyer already in its network in an attempt to steer the deal to a preferred buyer, according to a source with direct knowledge of the situation. Actions like this from any brand can negatively impact dealership values.

Dealer support programs: This encompasses everything from back-end support via items like floorplan assistance or advertising co-op funds to front-end support like incentives. These factors affect profitability and earnings and ultimately the valuation of dealerships.

The impact, however, varies greatly and often comes down to overall strength of the brand. Even when an automaker changes a support program to the detriment of dealers, it may not translate to lower dealership valuation if the brand is popular with consumers, has generally good dealer relations and has an appropriately sized dealer network.

A good example of this is Honda, which early this year reduced dealer margins on new vehicles. While dealers weren't happy, that margin concern ultimately has been offset in the buy-sell market by the brand's generally positive history with its retailers and consumers.

By contrast, Stellantis has slashed back-end support and put untenable margin pressure on its dealers by pushing too much inventory into the market with insufficient incentives. Dealership values for outlets representing Stellantis brands have suffered.

Ford is a more in-between example. While it has lowered support in some areas and has its own inventory mix challenges, Ford has backed off its electric vehicle mandates and promised more reimbursement for the EV investment dealers have made. That recent relief has helped offset some buyer apprehension about Ford stores, but it remains a fluid situation that can impact buy-sell dynamics.

Overall product portfolio and inventory availability and allocation: Stale product and inventory levels and vehicle mix mismatched to consumer demand can lead to both short- and long-term value challenges.

Audi is an example on the short-term side. The brand's stale lineup and EV imbalance has pressured sales and overall dealership profitability. But that is expected to reverse course over the next couple of years as several new models come to market. A well-regarded mainstream luxury brand like Audi can weather this kind of storm and come out stronger in the end.

Infiniti, however, has a longer-term challenge with both its product strength and a lack of high-volume demand. That, combined with certain unpopular dealer policies, has crimped buyer interest in Infiniti stores and subsequently valuations.

On the inventory side, the aforementioned Stellantis has put its dealers in a tough spot with too much inventory overall and not enough vehicles priced affordably for its likely customers.

Respondents to Presidio's dealer survey called out several automakers for overloading dealerships with inventory. "Manufacturers need to stop producing so many vehicles and control the unreasonable spike in prices," one respondent wrote.

Even strong brands with high valuations can be affected by portfolio and allocation issues. Porsche, while highly desired by dealers and investors, has one of the industry's more difficult allocation systems. With the lower volume of a typical Porsche dealership and the brand's turn-and-earn system, it can be hard and take a long time for a store to build up to more allocation.

Facility requirements and image programs: This often-thorny issue can manifest itself in buy-sell situations in multiple ways. First, some brands, like Genesis, tie facility requirements to incentive programs, financially impacting dealers who haven't upgraded with lower overall profitability and potentially lower valuations when they decide to sell. The lack of an image-compliant facility hurts blue-sky value as potential buyers factor an expected spend on a renovation or new facility into what they are willing to pay. Some may reduce blue sky by a portion of those costs, sometimes by as much as 50 percent of the project expense.

Secondly, some automakers view the buy-sell process as their best opportunity to compel a facility upgrade, tying approval of a deal to the buyer agreeing to make that investment. While some states' franchise laws protect against this, larger groups governed by framework agreements with the manufacturer or dealers wanting to expand generally forgo exercising those protections. It's also not unheard of for an automaker to ignore such laws and stall on approving a transaction while pushing the buyer into a promised investment.

While image upgrades generally dilute return and don't help a dealership sell more vehicles, they are a cost of doing business, and dealers understand that. But brands with unrealistic programs, expensive requirements and a more adversarial approach to extracting said upgrades affect the buy-sell process more negatively as buyers will factor such difficulties into the values they offer.

Bottom line: The relationship between dealers and automakers ultimately is a critical factor in the overall buy-sell process. OEMs can exert significant influence, often in ways that can undermine dealer autonomy and erode transaction values. Respondents to the most recent Presidio Dealer Direction Survey made clear how important the relationship is to them as they consider acquisitions. "Only the right franchise partners," one dealer wrote — before naming off a handful of automakers not in that group.

Presidio 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:

- Hall MileOne Autogroup Honda Huntersville acquired by Hudson Automotive Group
- Bill Brown Ford acquired by Penske Automotive
- Lexus of Wilmington (Asbury Automotive Group) acquired by MileOne Autogroup
- Park Place Dealerships acquired by Asbury Automotive Group
- Suburban Collection Holdings acquired by Lithia Motors, Inc.
- Fred Anderson Chevrolet Nissan of Greer acquired by Escude Automotive Group
- Classic BMW acquired by Sewell
- Group 1 Automotive Beaumont, TX acquired by Doggett Automotive Group
- Umansky Automotive Group Charlottesville acquired by Flow
- MileOne Autogroup Chesapeake, VA / Newport News, VA acquired by Atlantic Coast Automotive Group
- Anderson Autos acquired by Swickard Auto Group
- John Eagle Dealerships acquired by Lithia Motors, Inc.

AUTO TECH SERVICES TRANSACTIONS

- The Presidio Group served as the exclusive financial advisor to AutoComplete — SAFE Financing
- The Presidio Group served as the exclusive financial advisor to spiffy — $30 Million Series C Financing
- The Presidio Group served as the exclusive financial advisor to Stella Automotive AI — $19.7 Million Series A Financing
- The Presidio Group served as the exclusive financial advisor to orbee — *$4 Million Series A Financing*

PUBLIC DEALERSHIP GROUP TRENDS

The scope, scale and financial wherewithal of the six full-line publicly traded dealership groups — with market capitalizations ranging from $2 billion to $10 billion — makes this competitive peer group a bellwether for strategic shifts in the automotive retail landscape. Third-quarter financial results for the franchised base signal that retailers are shifting their revenue focus to the used-vehicle and parts-and-service segments given that gross margins in the new-vehicle segment continue to narrow.

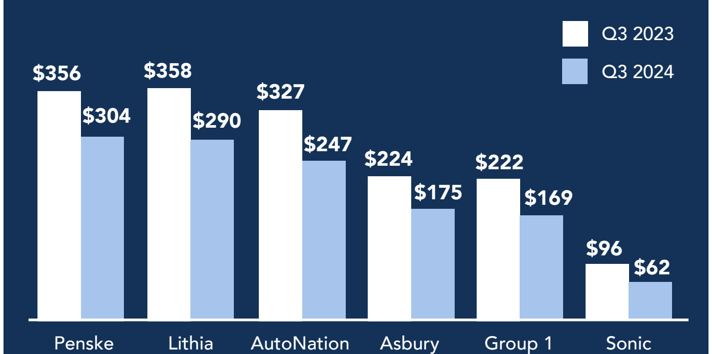
After folding in results of publicly traded used-only giants CarMax and Carvana, the used-vehicle gross margin for all public auto retailers was 7.7% in the third quarter. CarMax and Carvana posted a combined gross margin of 10.7%, while the franchised publics recorded blended gross margin on used of 5.0%. That performance gap should garner attention and spur the franchised base to look closer at how their used-only competitors generate those superior margins. That scrutiny could prompt franchised dealers to ramp up their used-vehicle sales efforts in 2025 in a bid to capture some additional margin.

Franchised dealers already have begun to shift revenue growth efforts to parts and service, as demonstrated by the publicly traded dealership groups' record $4.7 billion in sales from those businesses in the third quarter. The additional $466 million in collective revenue taken in by the peer group translated into $187 million in gross profit at 51.8% gross margin, a decrease of 130 basis points year over year. Boosting revenue while sustaining gross margin can ease franchised dealers' dependence on the declining margins of new-vehicle sales.

For the six publicly traded companies, new-vehicle gross margin has now declined on a sequential quarter-over-quarter basis for seven consecutive quarters. The peer group's blended new-vehicle margin of 6.7% for 2024's just-completed third quarter was the lowest recorded since the second quarter of 2020. This shift could serve as the motivation for retailers to deemphasize the segment.

Public Dealership Group Quarterly Adjusted Pretax Profit by Company

($ in millions)



The Presidio Group

Source: Public dealership group regulatory filings

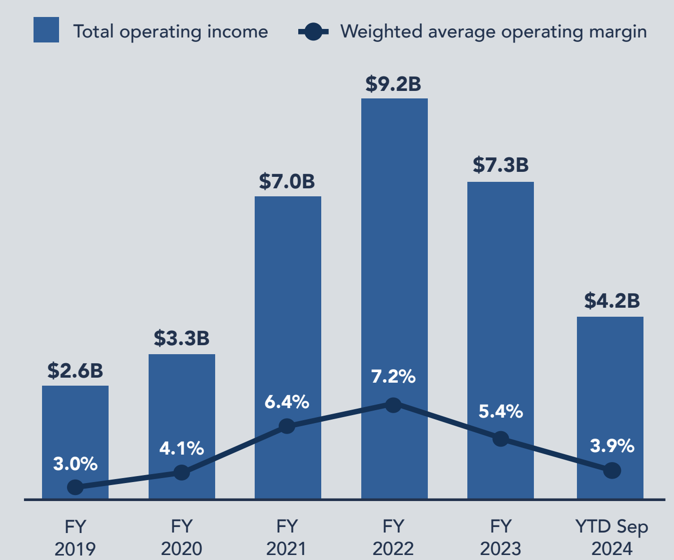
Public Dealership Group Quarterly Total Adjusted Pretax Profit

($ in millions)

The Presidio Group

Source: Public dealership group regulatory filings, Presidio analysis

Total Operating Income and Weighted Average Operating Margin

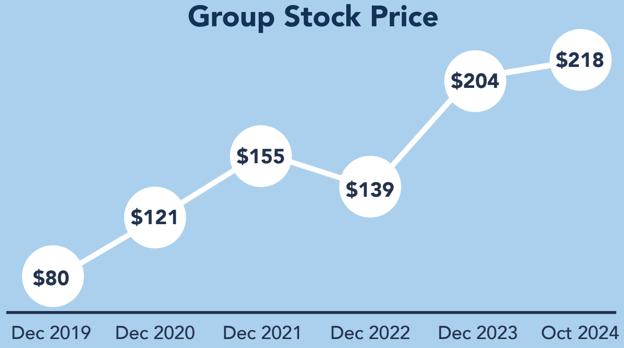


The Presidio Group

Source: Presidio analysis of public dealership group regulatory filings

PUBLIC DEALERSHIP GROUP TRENDS

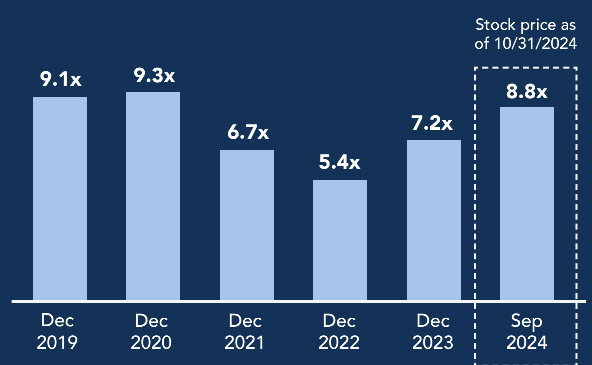
Average Public Dealership Group Stock Price



The Presidio Group

Source: Yahoo Finance, NYSE

Average Public Dealership Group EV/Adjusted EBITDA Multiple

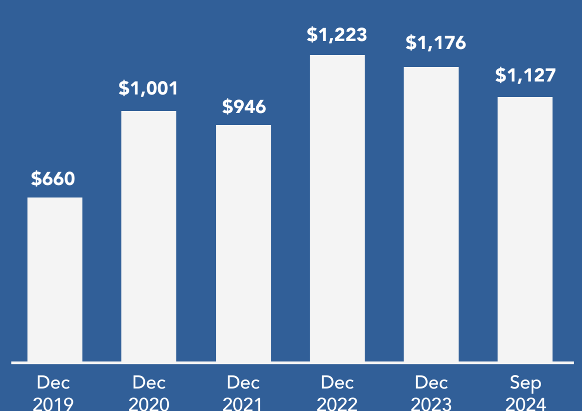


The Presidio Group

Source: Public dealership group regulatory filings, Yahoo Finance, Presidio analysis

Average Public Dealership Group Liquidity Level

($ in millions)

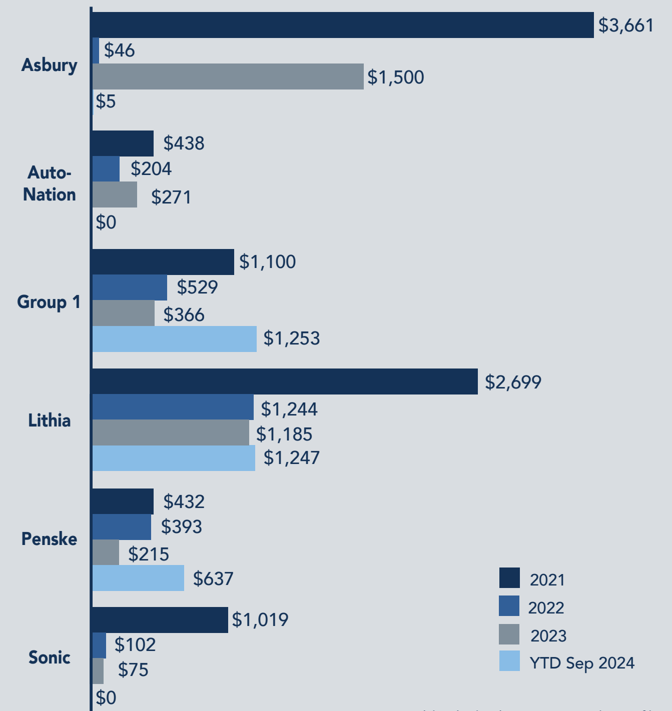


† Penske's figures include its cash totals and U.S.-only credit agreement

The Presidio Group

Source: Public dealership group regulatory filings

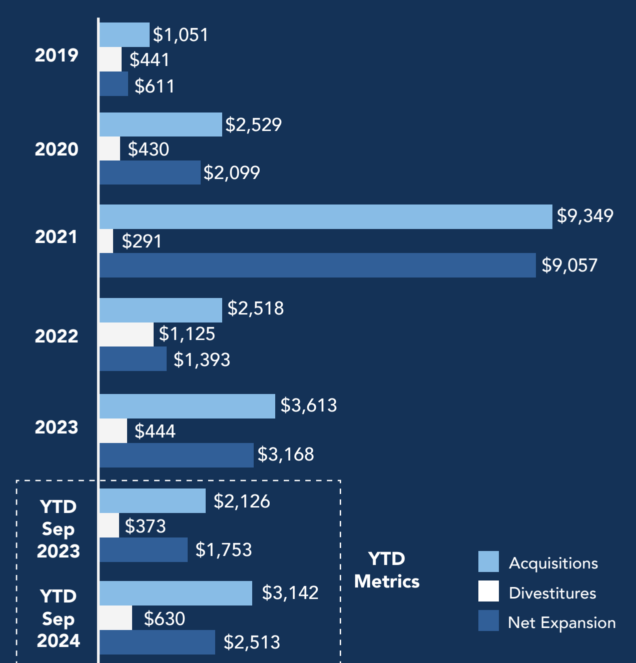
Public Dealership Group Acquisition Spending by Company *($ in millions)*



The Presidio Group

Source: Public dealership group regulatory filings (Asbury, AutoNation, Group 1, Lithia, Penske, Sonic)

Public Dealership Group Acquisition & Divestiture Totals *($ in millions)*



The Presidio Group

Source: Public dealership group regulatory filings (Asbury, AutoNation, Group 1, Lithia, Penske, Sonic)

The Presidio Group

Meet the Team

Our team has an exceptional breadth and depth of experience in the auto retail and technologies sectors as well as deep relationships in the broader corporate and financial communities. Our mission is to relentlessly put our clients' needs first.

Brodie Cobb
CEO

George Karolis
President

Nate Klebacha
Managing Director

Jason Stein
Managing Director

Keith Style
Managing Director

Alex Watterson
Managing Director

Caitlin Barron
Associate

Erika Bevers
Marketing Associate

Diane Durbin
Chief of Staff

Nick Klass
Analyst

Lauren Pfohl
Chief Marketing Officer

Dylan Powell
Analyst

James Reece
Analyst

Adam Schraudenbach
Associate

Brian Sorell
Vice President

Susan Stein
Chief Administrative Officer & Controller

Kevin Tynan
Director of Research

Amy Wilson
Director of Publishing

Scott Zienkewicz
Principal

AUTO RETAIL TECHNOLOGY SNAPSHOT

Technology revolutionizes the auto logistics market

Technology is playing an increasingly important role in transforming the highly fragmented automotive logistics sector and solving key pain points for businesses that need to move vehicles around.

The potential for driving automation and new efficiencies in vehicle transport while simultaneously improving the experience for both shippers and carriers has logistics operators and venture backers investing to expand and develop new capabilities. That potential has spurred multiple startups to enter the space in recent years.

With new players and expanding capabilities, a once-staid segment of the auto industry is now a dynamic and competitive landscape. And there's more upside to come. As technology helps maximize loads and reduce the distance trucks travel without vehicles on board, increased digitization and automation is expected to significantly lower the costs of automotive transport and distribution.

"Demand for turnkey solutions in the logistics space is growing, and technology is meeting that demand head on," said Brodie Cobb, CEO of The Presidio Group. "Emerging technologies like artificial intelligence combined with online marketplaces and automated systems are helping to drive down the friction and costs associated with vehicle transfers. Integrating these various technology solutions into more holistic platforms has the potential to further streamline the process and make quick and painless vehicle shipping accessible to even the smallest of customers."

The pool of customers for logistics services is deep and includes automakers, fleet management companies, wholesale auctions, dealers, rental car companies and financial institutions. In addition to the vehicle transfer itself, some customers want ancillary services such as title and registration work, vehicle maintenance and repair and even repossessions.

The number of vehicles being moved around in the industry has expanded greatly in the last several years. As recently as a decade ago, vehicle transport was largely new vehicles traveling between automaker and dealership and used vehicles traveling between auctions and dealerships. But

RECENT AUTO TECH TRANSACTIONS

Acquisitions, investments expand reach of tech companies

Global fleet management provider Element Fleet Management acquired Autofleet, a developer of fleet and mobility software

- **When:** August 2024
- **Why:** Accelerate Element's growth, modernize digital capabilities and enhance scaling of its core business
- **Amount:** $110 million purchase price

Dealership software giant Reynolds and Reynolds Co. acquired TSD Mobility Solutions, a provider of fleet management software

- **When:** August 2024
- **Why:** Expand Reynolds' footprint in retail automotive and leverage TSD's fleet management technology for clients
- **Amount:** Undisclosed purchase price

WarrCloud, provider of an automated auto warranty processing platform, raised a Series B round of financing to further develop its artificial intelligence capabilities

- **When:** October 2024
- **Round amount:** $20 million
- **Lead investor:** Centana Growth Partners
- **Participating investors:** Argentum, Automotive Ventures

Numa, developer of an artificial intelligence-enabled virtual receptionist platform for dealerships, raised a Series B round of financing to accelerate product development

- **When:** October 2024
- **Round amount:** $32 million
- **Lead investors:** Touring Capital and Mitsui & Co.
- **Participating investors:** Costanoa Ventures, Threshold and Gradient Ventures

New technology tools are rapidly changing the way vehicle transportation is arranged.

the wave of digital buying on both the wholesale and retail sides of the business jumpstarted demand for transport services and also increased the complexities involved in moving those vehicles around.

Market size

With the expanded depth and breadth of services and customers, the total addressable market (TAM) for logistics providers is huge, though there is no consensus on the sector's ultimate market size. Estimates by players in the segment vary widely and consider differing slices of the industry.

ACERTUS, a full-service omnichannel logistics platform, estimates market size at about $23 billion annually, including the related services it provides such as title and registration assistance, said Trent Broberg, the company's CEO.

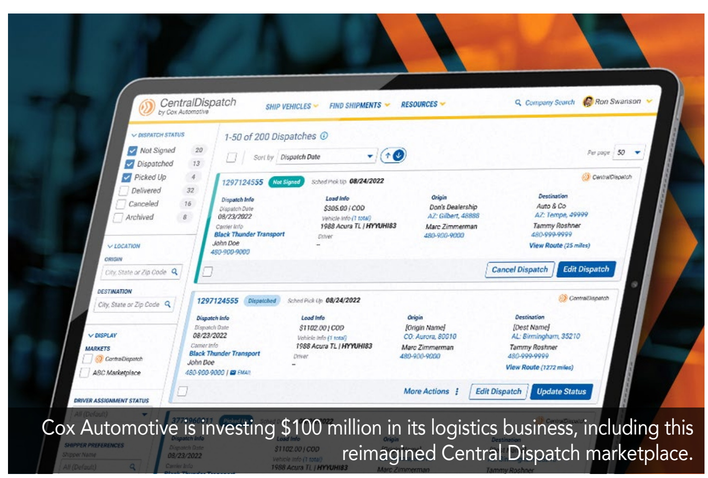
RunBuggy, a technology platform that connects car shippers and transporters, considers its total addressable market to be in the $70 billion range. That includes core logistics services plus the software necessary to manage the logistics ecosystem, RunBuggy CEO Kevin Malik said.

And HopDrive, a provider that specializes in short-distance transport, particularly service pickup and delivery, has another spin on it. HopDrive CEO Nick Mottas estimates the company's total addressable market at around $85 billion, which is based on the number of service transactions in the industry.

Cox Automotive, a major player in the logistics space, doesn't put an exact number on market size but considers it to be in "the tens and tens of billions of dollars," said Joe Kichler, Cox's senior vice president of digital inventory and supply chain solutions.

Cox this year said it is investing more than $100 million to transform its vehicle logistics services using technology. The money will help turn its Central Dispatch operation from a matchmaking service connecting shippers and carriers into a fully integrated transportation marketplace, Cox said. Central Dispatch's new marketplace platform was unveiled in August.

"We want to keep everything on a platform so that you only have to go to one place to make your life as a shipper or a



Cox Automotive is investing $100 million in its logistics business, including this reimagined Central Dispatch marketplace.

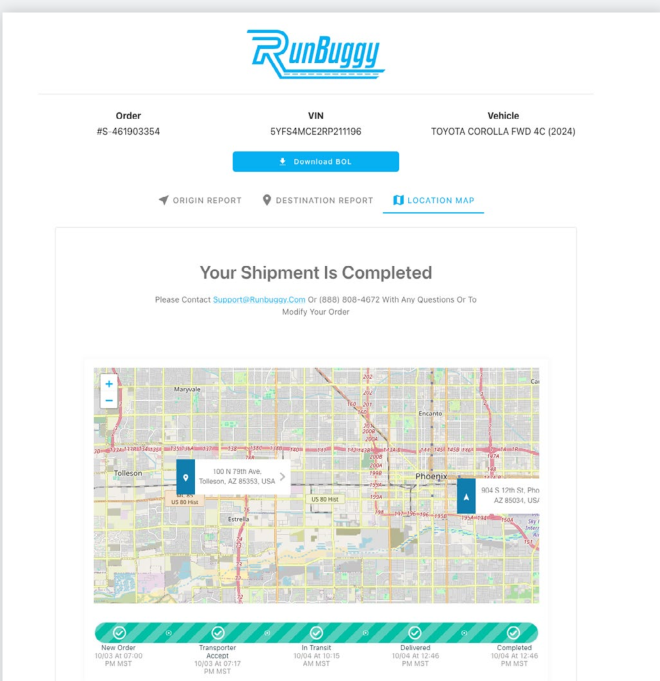
carrier very easy and control everything and streamline the process for everybody," Kichler said.

Such technology investments are the lifeblood of the evolution in the space.

At RunBuggy, a sizeable research and development team that includes several people with doctorates puts artificial intelligence and machine learning in place to automate processes in a way that improves both efficiency and the customer experience for users of the platform. The company started nearly six years ago with the aim to build a highly scalable platform that integrated with the existing ecosystem and allowed customers to put in an order for one car or 10,000 and long haul or last-mile moves, Malik said.

Key to success was launching a "platform of familiarity and ease of use … like Amazon and Uber," he said. RunBuggy expects to more than double revenue this year and again in 2025, and its long-term growth trajectory is robust, Malik said.

HopDrive, which launched in 2018, has taken a different approach than others by focusing on moving vehicles short distances — one big use is moving cars to and from retail customers to dealerships for service appointments. The company has attracted investments from ACERTUS and Cox among others.



RunBuggy's logistics platform has a tracking tool showing progress on vehicle shipments.

"We want to keep everything on a platform so that you only have to go to one place to make your life as a shipper or a carrier very easy."

— Joe Kichler, senior vice president of digital inventory and supply chain solutions for Cox Automotive

When the pandemic started, "the consumer sentiment and mindset around the convenience economy absolutely shifted," said Mottas. "That has translated to other things, like, why should I have to go to the dealership anymore."

Fragmentation and consolidation

The industry's logistics players agree that the space is fragmented.

"It's ripe for consolidation. As the industry goes through this digital transformation process, there is a ton of capital expenditures associated with innovation, new technologies and so forth, and a lot of the smaller entities will be challenged in keeping up," ACERTUS leader Broberg said. "There's a lot of opportunity for these great management teams to come in and provide opportunities within ACERTUS and within other companies that they otherwise wouldn't have."

ACERTUS in April purchased Guardian Auto Transport, its sixth acquisition in the space.

Cox's logistics capabilities were born through acquisitions with the purchase of what is now Ready Logistics in 2012 and then Central Dispatch as part of its Dealertrack deal in 2015. The company is open to more acquisitions to augment its internal investment in Cox's broad logistics platforms, Kichler said.

"If there's a company that will help accelerate what we're trying to do and we don't have to build ourselves, we would love to do that," he said.

DEALERSHIP TECH SPOTLIGHT

Presidio highlights technology companies adding value to the auto retail ecosystem via products that improve the customer experience, drive revenue, increase efficiency and/or enhance profitability. This quarter we take a closer look at the inventory management software sector.

VINCUE

VINCUE provides its users with real-time data on millions of vehicles by aggregating VIN-specific data from more than 45,000 dealership websites daily and normalizing data coming directly from automakers and data providers and from integrations with leading dealership management system and customer relationship management companies. With its Vehicle Lifecycle Management software platform, the company aims to help dealership leaders make better decisions in such areas as inventory management, acquisition, pricing and marketing and to improve the overall customer experience.

"We're able to expand variable and fixed growth, speed inventory turn, increase volume and reduce dependency on auctions for our clients at significantly lower software fees than they were previously paying," said Danny Zaslavsky, co-founder and president of VINCUE.

The company, which was founded in 2015 and officially went to market in 2018, doesn't publicly disclose the number of dealerships using its software, but VINCUE leaders said the client base is growing significantly with sizable dealership groups that operate a dozen or more stores signing on.

Adopters of the technology say they are seeing results. One Toyota dealership in New Jersey reported a 56% increase in site traffic and a 30% gain in engaged sessions during its first month using the company's VINCUE BOOST automated VIN-specific targeting tool, the company said.

Butler Automotive Group, a 14-store group based in Macon, Ga., has reported gains in profitability, volume and turn from using the software. Specific numbers weren't disclosed. Butler had been searching for a way to modernize its inventory management and reduce its reliance on legacy systems and disparate bolt-on systems and widgets.

"By partnering with VINCUE, we've transitioned from outdated systems to a cutting-edge, integrated technology platform that aligns with our vision and mission for the future," said Kevin Deutsch, general manager at Butler Lexus of South Atlanta. "The data and advanced tools have transformed the way we make appraisal, stocking and pricing decisions for our inventory."

While Butler has begun to see performance gains using VINCUE, the retailer is targeting further improvement. "We have challenged our team and the VINCUE team to keep innovating for the future we both want," Deutsch said.

PRESIDIO AUTO TECHNOLOGY SUMMIT SPOTLIGHT

Presidio's tech event: **Where innovation meets capital**

Technology entrepreneurs are taking aim in growing numbers at the $1.2 trillion automotive industry to drive operational improvement and enhance the customer experience — and investors are providing the capital to fuel innovation in auto tech.

The Presidio Group's second annual Auto Technology Summit in Denver on Oct. 23 put those themes front and center for both entrepreneurs and investors. Both groups are focused on finding a winning formula as the industry moves at a lightning pace toward an uncertain — yet highly advanced — future.

"Today's auto tech is characterized by experienced leadership, strong cap tables and advanced technologies that are solving real pain points in the automotive retail and mobility sectors," Presidio Managing Director Keith Style said in kicking off the one-day event at the Denver Art Museum.

Presidio CEO Brodie Cobb opened the second annual Auto Technology Summit by welcoming the attendees.

Presidio Managing Director Keith Style talked venture capital with (from left to right) Tony Rimas of XPEL, Inc., Pearl Percy of JM Family Enterprises and Chase Fraser of FM Capital.

Presidio Director of Research Kevin Tynan set the tone by walking the audience through his view of the industry and the challenges to watch out for in the future. He was followed by keynote speaker Colin O'Brady, an extreme adventurer and 11-time world record holder, who talked about goal setting, achievements and overcoming obstacles in what proved a perfect message for a maximum capacity room of 125 attendees.

More than two dozen speakers hailing from startups, established tech companies, leading dealership groups and venture capital firms concurred that the change in auto technology is accelerating faster than anyone could predict.

Innovators and investors are natural partners in that ever-changing automotive retail model.

Among the summit's themes:

- A panel of retail experts — dealers Liza Borches, Eric Flow and William Knowles — delved into the evolution of technology in vehicle sales, opportunities for enhancing efficiency and best practices for evaluating tech investments.
- Venture capitalists Chase Fraser of FM Capital, Pearl Percy of JM Family Enterprises and Tony Rimas of XPEL, Inc. provided invaluable insights into the current state of capital markets, deal activity and the evolving landscape of auto retail. They discussed the impact of technology and artificial intelligence on operations, the importance of middleware in dealership management and emerging trends in auto tech investing.
- An Entrepreneur 101 panel featuring Mike Maroone of Maroone USA, Sandy Schwartz of Cox Enterprises and Sohum Doshi of Argentum Group focused on how successful entrepreneurs navigate the journey from startups to impactful companies delivering exceptional shareholder returns.
- Bill Cariss of Holman, Amy Mills of Cox Automotive and Julien Schneider of Cars Commerce shared their insights on best practices for business transfers, strategies for navigating the market and tips for portfolio diversification and technology investments.

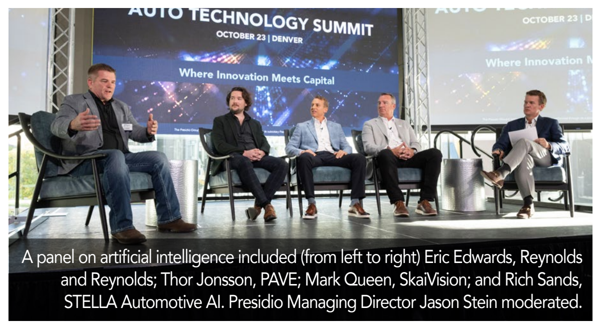
- And AI took center stage with Eric Edwards of Reynolds and Reynolds, Mark Queen of SkaiVision, Thor Jonsson of PAVE and Rich Sands of STELLA Automotive AI as they addressed current AI initiatives, lessons learned and how AI can drive profitability while creating a frictionless customer experience.

The Presidio Auto Technology Summit, produced in partnership with Holman Growth Ventures, had the support of lead sponsor JM Family Enterprises, along with gold sponsors NCM Associates, Cars Commerce and FM Capital. Carputty and the Colorado Auto Dealers Association were bronze sponsors.

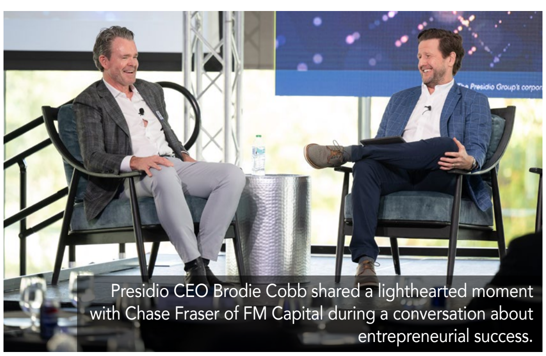
For more information on the lineup and on future Presidio events, visit thepresidiogroup.com/events.

Presidio President George Karolis moderated a panel of tech-minded dealers featuring (from left to right) Liza Borches, Carter Myers Automotive; Eric Flow, Flow Automotive Companies; and William Knowles, Maroone USA.


Presidio Managing Director Keith Style opened the summit for 125 attendees including more than 60 company founders, CEOs or presidents.



A panel on artificial intelligence included (from left to right) Eric Edwards, Reynolds and Reynolds; Thor Jonsson, PAVE; Mark Queen, SkaiVision; and Rich Sands, STELLA Automotive AI. Presidio Managing Director Jason Stein moderated.


Presidio CEO Brodie Cobb shared a lighthearted moment with Chase Fraser of FM Capital during a conversation about entrepreneurial success.

Record-holding explorer and keynote speaker Colin O'Brady captivated attendees with tales of crossing Antarctica and climbing the world's highest mountains. His message: "Be resilient and find your own personal Everest."


Maroone USA CEO Mike Maroone, left, and Cox Family Office CEO Sandy Schwartz, right, talked about entrepreneurship with fellow panelist Sohum Doshi of Argentum.

Resilient dealer model endures despite industry's disruptive forces

Glenn Mercer has long been at the forefront of predicting dealership viability and vitality.

An independent automotive researcher and industry futurist, Mercer authors an annual report forecasting the future of the dealership and assessing risks to the traditional franchised model. He has more than 35 years of automotive experience, participating in hundreds of client studies. In addition to project work for investment firms, he has advised the National Automobile Dealers Association and other industry entities such as the National Auto Auction Association. He has been an expert witness in auto-related legal cases and has lectured on automotive economics at universities.

Prior to beginning his automotive career at McKinsey, Mercer worked at the Central Intelligence Agency and then at BP. He has been president of the Society of Automotive Analysts and director of the International Motor Vehicle Program, a research consortium founded to analyze the global auto industry.

Mercer recently spoke with Jason Stein, Presidio managing director, on Presidio's Full Throttle podcast about industry disruption, the direct-to-consumer model and the future of auto retailing.

Here are edited excerpts of their conversation:

What are the disruptive factors you see for the dealership model?

Time after time various knights on horseback have charged the castle gates of the dealership system in the United States. And the castle seems to be fairly well intact. We've seen at least six runs at the castle as people circling it say, "How do we get a share of this revenue and profit?"

We had attempts by both Ford and General Motors. Ford went further than GM did. GM pulled back before they really launched. The lesson learned there is that company-owned stores by the OEMs are very difficult to make very profitable for a bunch of reasons.

Then we had Wayne Huizenga and the public chains. AutoNation and the publicly owned chains would have the scale and the skills to wipe out private dealerships. And while the six of them have survived and thrived, [they represent] 10% of the industry. So that wave receded.

Then we had Tesla and direct to customer and others who have followed. They work in certain situations. Mostly for higher-priced vehicles where demand exceeds supply. And frankly when demand exceeds supply, you can sell any way you want. So it's not impossible, but it's an exception as opposed to a role model.

Then the most recent run at things has been agency, which is the halfway house between direct to customer and franchise dealership. And if one's cynical about it, one would say during the chip shortage and the pandemic OEMs were trying to figure out a way to grab some of that margin, understandably. But again, the appetite for it cools as demand shrinks below supply.

This just comes back to the incredible resiliency of the dealership model. First, it's the right model. You want distributed inventories owned by people who are highly motivated to get them sold. That's why we have dealerships in a nutshell. And then secondly, it is a system that is extremely adaptable and flexible.

You've talked about what the future dealership would look like and once gave a prognosis for that for 2025. What did you get right? What did you get wrong?

I think I was right that autonomous vehicles were a long way off and we would not be all in robotaxis by 2020. I think I got right that ride hail would not be a threat to personal ownership. Electric vehicles were not really on the map at that point in time. So I'm not sure I had a huge prediction, but if I did, it was probably wrong and didn't see just how big the regulatory push would be in that direction.

I think I underestimated just how much more [finance and insurance income] per new unit retail we could get to by professionalizing F&I, by cleaning it up with better products, menu selling.

Dealers responding to Presidio's surveys have consistently said direct sales and the agency model present some of the biggest risks to the traditional franchise dealer model in the long term. What do you see as the real risks for dealers presented by direct sales and agency models in America?

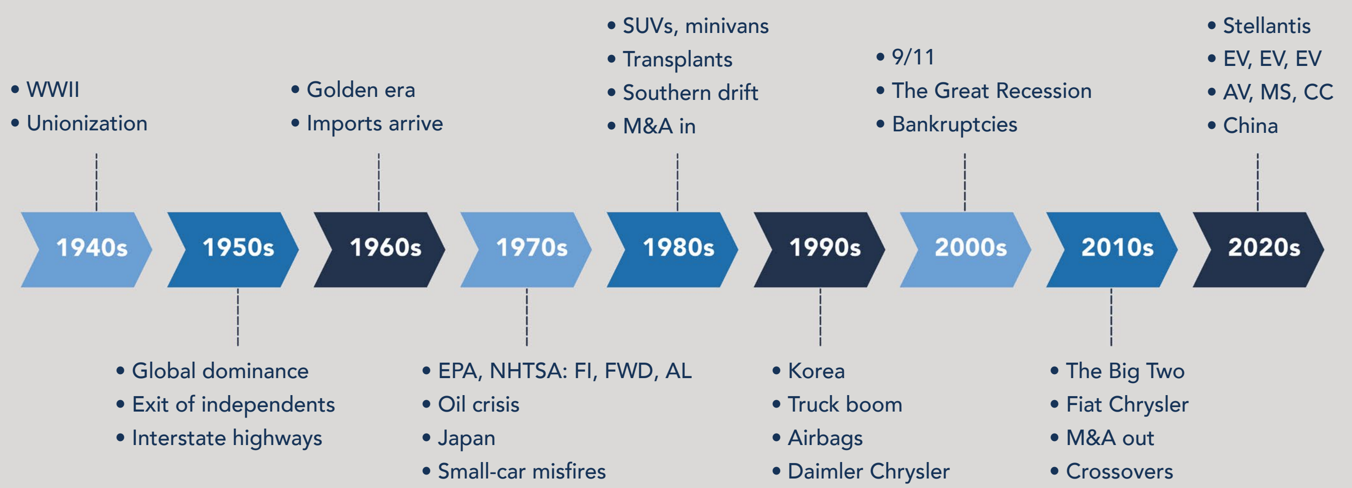
I'm more neutral on agency. That is, I can see the deal. You don't get margin, you get a commission, but we take off your balance sheet all the inventory and you're no longer responsible for setting the price. Direct to customer, I don't see as having much of a future in the mass market because I think it's the wrong system. The trouble with direct to customer is that once supply gets to be greater than demand, direct to customer backs up with unsold product. And the only way to get rid of it is to cut price. So if Tesla's got 100 cars they need to sell and they've got demand for 90, just [to] move the last 10, they cut price, but it's on all 100. And we've seen that it has devastated their margins. Whereas with a dealership network, the dealer essentially is like that sorting hat in Harry Potter: This customer needs an over allowance on the trade-in; this customer needs to switch to a different trim level; this customer will buy if we throw in the floor mats; and this customer needs a different financing source. Dealers get the deal done. It's in their name. And because it's an expensive thing to buy and it's almost always a complex purchase, I think the dealer system is just superior to direct in an environment where there's supply piling up at the factory and we've got to move it.

So what are the existential threats then as you see it?

At the risk of being the person who says I don't think this is an existential threat just before the asteroid hits his house, I am not sure I can see an existential threat to the dealership system. I can see it being less profitable in the future, but if we just talk about America, we're mobile. We're not stopping driving. We're still inching upward in cars per household, even though we've got more cars than we've got driver's licenses.

We're not all going to just move into urban high-rises and not move around anymore. So we've got a demand for mobility, and over and over again, it's been shown when people have the ability, that have the money, they don't want to share. They don't want to carpool. They do not want to ride on mass transit. They want their own car. So we've still got our own car. Demand goes up and down,

Glenn Mercer's bias regarding change: It's *always* been like this



Source: Glenn Mercer

> ***"Dealers get the deal done. It's in their name. ...The dealer system is just superior to direct [sales] in an environment where there's supply piling up at the factory and we've got to move it."***
>
> — Auto industry analyst and consultant Glenn Mercer

but the dealership system buffers it.

I'll say the one thing that no dealer and no OEM will ever say: The dealership system is good at selling cars that people don't really want. Every once in a while, a car company will make a car that is not exactly desirable and somebody has got to move it, and in a direct-to-customer environment, it doesn't move unless you just slash price into disastrous levels. So I think the system stays intact, at least for the rest of my lifetime.

As you consider other existential threats, what's your view of Chinese EV makers? Could they change the industry and the dealer model in America?

Yes, they could change the industry, and yes, they could change the dealer model. Impact, of course, is they're the people to accelerate the EV transition, which right now is sort of bumping along in a kind of a plateau in America. But cheap cars that go 600 miles or whatever and are pretty high quality — that changes the game.

That being said, nothing unites Democrats and Republicans more. They don't like China, and so we have this tariff wall. [To] people who say, "Yeah, well, tariff walls are permeable," I point them to the chicken tax of 1964, which is still on the books and still protecting our pickup trucks. But where do we go past the politics? I wrote a letter to Automotive News recently, [which] they published, saying when the Japanese showed up, we had this existential crisis, and we did some quotas and things. And then we figured out a new level of coexistence.

Did the Big Three lose market share? Yes. But we survived. The Koreans showed up. Same thing. BYD might sign up with somebody who provides them diplomatic cover. And then they eventually built a plant here. Will the domestics like this? No, they won't, but we'll get by and survive. Will they use dealers? Well, if I were a money-losing EV maker in China desperate to sell in the United States, and I was facing a $100 million, $200 million homologation bill and legislative pushback, wouldn't I want to use a ready-made distribution system that already exists? Or do I want to spend another $100 million and develop my own? I think if they're rational, they will mostly use dealers.

Presidio's take

As Glenn Mercer articulates, disruptive factors are nothing new to the franchise dealership model. The castle gates, to use his analogy, are still very much intact. The model is resilient, adaptable and invariably finds a way to win. But with more headwinds and change in the works than ever before, dealers must continue to evolve, implementing new technologies and processes to improve efficiency and the customer experience and making sure their store portfolios are sized and aligned by brand and geography for success.

PRESIDIO PERSPECTIVES: LEADING VOICES

With a broad mix of multimedia platforms and in-person events, The Presidio Group leads the way in analysis and insights – helping our clients stay ahead of trends in auto retail.

FULL THROTTLE PODCAST

From legendary dealers to up-and-coming technology entrepreneurs, our biweekly audio and video conversations focus on innovation and game-changing trends. Hear directly from the leaders who are making news.

WRITTEN PUBLICATIONS

Our Presidio Perspectives lineup includes a quarterly report, which offers Presidio-NCM Average Dealership Performance Benchmark data. This information provides a new lens into franchised dealership profitability and retail performance.

CONFERENCES

Each spring, the single-day Presidio Retail Conference brings together titans of the industry to discuss the direction of retail. Each fall, the Auto Tech Summit connects entrepreneurs with capital in a unique, 20+ speaker format.

The Presidio Group

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