

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 | Presidio Valuation Index | Presidio’s Valuation Matrix Spotlight**

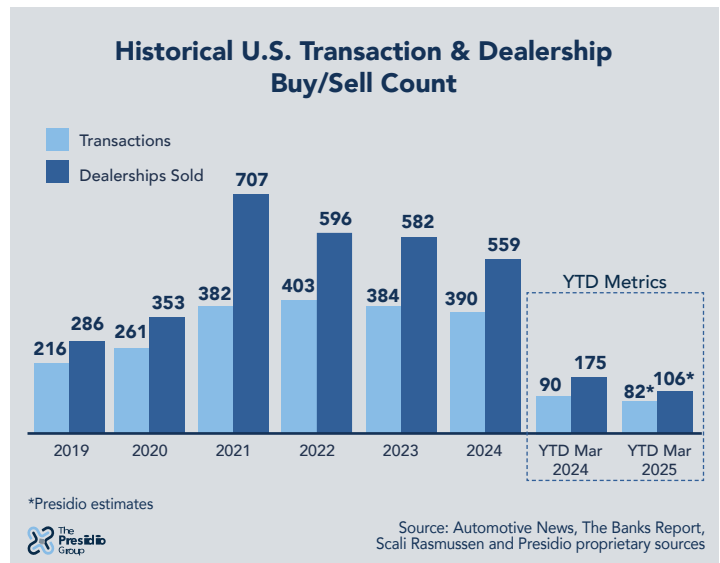
## Overall Market Update

While the overall outlook for dealership transactions remains strong, the pace of buy-sell deals slowed during the first quarter of 2025. Presidio estimates first-quarter totals will hit 82 transactions involving 106 stores once all deals are reported, down from 90 transactions involving 175 dealerships recorded for the first quarter of 2024.

Presidio also updated its transaction tally for full-year 2024 to 390 deals involving 559 stores. As some 2024 deals are still being reported, that could increase. As it stands, it’s higher than the 2024 estimate Presidio shared three months ago and similar to the final tally for 2023, when 384 transactions involving 582 stores were recorded.

The first-quarter slowdown is likely related to hesitation in dealmaking late last summer and fall, in part influenced by uncertainty around the regulatory and business environment ahead of the presidential election. With many deals afoot throughout the industry, transaction pace should pick up for the rest of 2025; Presidio’s own pipeline is robust, with deal closings expected to accelerate this summer and fall.

Though many dealers reported a positive outlook right after Donald Trump won the election, new uncertainties have emerged because of the administration’s changing tariff policies. That said, the environment for transactions in 2025

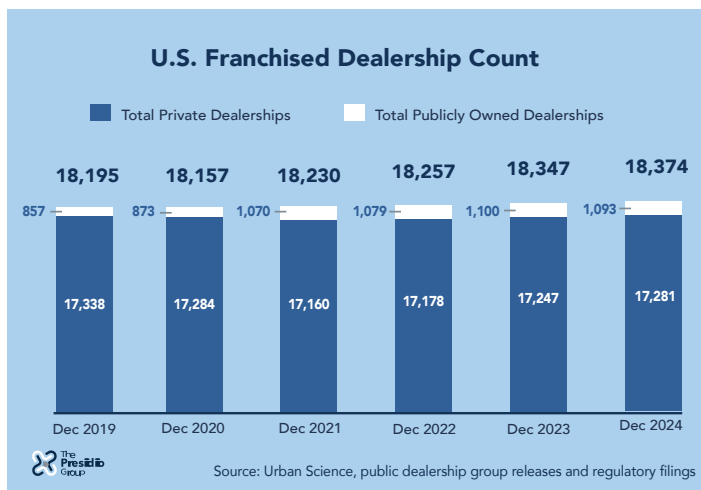


still looks robust, with both buyers and sellers maintaining significant interest. Tariffs make brand consideration even more critical — dealers could shift their approach on buying stores representing certain brands based on where their new-vehicle inventory for the U.S. market is being sourced.

“Most dealers we speak with are looking past tariffs as just another hurdle in a long history of navigating market risks and opportunities,” said George Karolis, president of The Presidio Group. “It could even present opportunity as many view the announced policy as a negotiating ploy that could lead to stable ground in the long term and potentially energize the market in the near term. The underlying health of the industry is evident with more buyers than sellers in the market, and we see positive momentum in our pipeline.”

The M&A environment continues to support consolidation, as reinforced by a blockbuster deal announced in February. Asbury Automotive Group agreed to buy 33 stores from the Herb Chambers Co. based in suburban Boston. The megadeal, expected to close in late spring, underscores the keen interest major retailers have in building their footprints.

Public retailers have reiterated their interest in strategic acquisitions. Lithia Motors, for instance, bought Subaru



stores with combined annual revenue of \$180 million. And Lithia leaders made clear in April that their sights are still set on making meaningful deals.

Lithia CEO Bryan DeBoer said that the dealership group still targets acquiring \$2 billion to \$4 billion in revenue annually — but 2025's tally likely will be closer to \$2 billion. While noting no big impact on M&A from tariffs, DeBoer said the transaction landscape had softened in the last few months.

Still, DeBoer remains optimistic about future opportunities.

"We operate within one of the largest and least consolidated industries. Our ability to be the most competitive acquirer and an efficient operator is a core strategic advantage, one that positions us to grow profitably," he said. "...We're still looking for that more major meaningful acquisition at some point in our lives and believe that the industry can be consolidated and one plus one can truly equal three."

Public group execs also are mindful about balancing M&A with share repurchases. Group 1 Automotive CEO Daryl Kenningham said Group 1 last quarter acquired stores representing \$100 million in annual revenue even as it bought back 2% of the company's stock for \$122.8 million.

"We will continue to be acquisitive," Kenningham said, "but we are also being very measured in valuing acquisitions, engaging only in deals that we feel provide long-term value for Group 1 shareholders."

Sonic Automotive President Jeff Dyke said tariff changes haven't made a "huge difference" and that Sonic has a lot of M&A discussions going on.

"Certainly, it's come up," Dyke said. "If anything, maybe we're buying a little bit of time just to see what happens over the next 90 days before we finalize some transactions."

While some dealers are adopting a wait-and-watch approach due to tariff uncertainties, the fundamental drivers of consolidation remain strong. Brand selection and geographic strategy are emerging as critical differentiators.

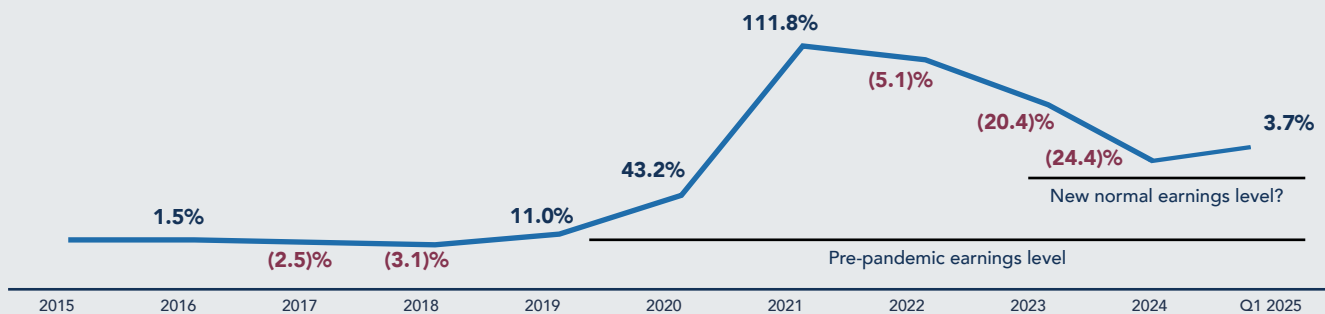
"Despite the tariff environment, most dealers are adapting and taking a long-term approach that includes growth through acquisitions," Karolis said. "The appetite for well-positioned acquisitions remains robust. We expect that acquisitive dealers will have plenty of opportunity to add to their portfolios through the remainder of 2025, driving further consolidation in the industry."



**"We're still looking for that more major meaningful acquisition at some point in our lives."**

— Bryan DeBoer, Lithia Motors CEO

**Average Year-Over-Year Change in Dealership Net Pretax Profit**



Source: Presidio-NCM Average Dealership Performance Benchmark

The Presidio-NCM Average Dealership Performance Benchmark improved in the first quarter of 2025, with the average store's pre-tax profit level increasing 3.7%. Could 2025 be the first year of profit gains after three straight years of declines? Does the first quarter uptick in earnings indicate a new normal for dealership profitability? Stay tuned as dealers work to capture the opportunities and overcome the challenges of a rapidly evolving tariff landscape.

## The Presidio Valuation Index

When valuing a dealership, it's all about expected normalized future earnings, which typically influence 80% 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 also varied dramatically. Predicting sustainable earnings is the more volatile part of the calculation, particularly in recent years when dealership profitability has been erratic and seeking its new normal.

Average dealership profitability dropped about 20% in 2023 and by more than 24% in 2024 before rebounding 3.7% during the first quarter of 2025. 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:

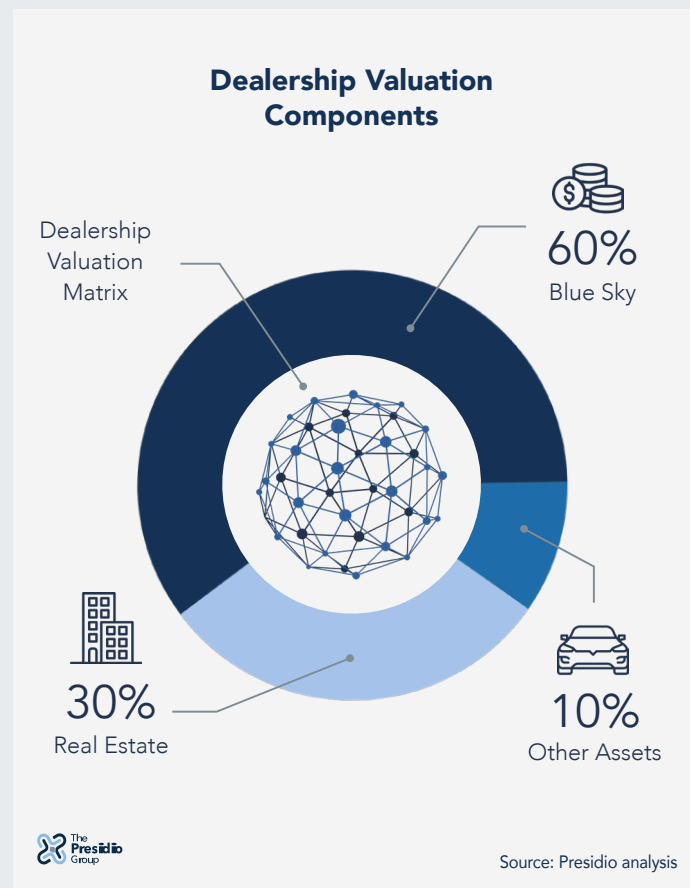
**Luxury brands: 4-7% | Top-tier import brands: 3-5% | Domestic/Other value brands: 1-3%**

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: <http://thepresidiogroup.com/valuationmethodology>



# The Presidio Valuation Index

The Presidio Valuation Index uses three pillars of valuation to help estimate dealership value by brand. We adjust brand-level guidelines twice a year, after the second and fourth quarters. While we haven't adjusted blue-sky multiples this cycle, we are watching several import brands, including luxury makes, that could be most affected by tariffs. As we await more clarity about the situation, we note positive momentum for Mercedes-Benz and will watch its recently announced leadership transition closely. Ford's manufacturing footprint and current promotions also set it up well. These and several other brands could receive adjustments to multiple guidelines in our second-quarter report.

Presidio Valuation Pillars →		Blue Sky as % of Revenue Range	Blue-Sky Multiple Range	Average Estimated ROI	Dealership Count on Jan. 1, 2025	New-Vehicle Volume/Dealership
	Porsche	52% - 67%	9.0 - 10.0	<10%	202	381
	Lexus	48% - 62%	9.0 - 10.0	↑	244	1,417
	BMW	43% - 52%	7.75 - 9.0		350	1,061
	Mercedes	41% - 50%	7.75 - 9.0		384	975
	Toyota	38% - 48%	7.5 - 9.0		1,237	1,607
	Land Rover	31% - 40%	6.25 - 7.75		202	528
	Subaru	29% - 33%	6.25 - 7.25		641	1,042
	Honda	25% - 38%	6.0 - 7.25		1,070	1,207
	Audi	29% - 38%	6.0 - 7.0	307	643	
	Kia	14% - 24%	4.5 - 5.5	795	1,006	
	Hyundai	14% - 24%	4.0 - 5.0	15%	852	988
	Chevrolet	13% - 19%	3.75 - 4.75	↓	2,886	598
	Ford	13% - 19%	3.75 - 4.75		2,839	682
	Volvo	12% - 17%	3.5 - 4.5		281	444
	Mazda	11% - 16%	3.5 - 4.5		541	783
	Cadillac	11% - 16%	3.25 - 4.25		567	282
	Buick-GMC	10% - 14%	3.25 - 4.25		1,659	553
	Volkswagen	10% - 14%	3.0 - 4.0		633	596
	Acura	10% - 14%	3.0 - 4.0		274	485
	CDJR	4% - 10%	2.5 - 3.5		2,398	563
	Nissan	4% - 10%	2.5 - 3.5		1,069	806
	Infiniti	4% - 10%	2.0 - 3.0	20%	197	292

1) Dealership count represents Chrysler outlets

2) Dealership count represents GMC outlets

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

## Presidio's Valuation Matrix Spotlight

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

### Brand

## Alongside earnings, brand is the most important factor in determining a dealership's value

When it comes to valuing a dealership, the top factor influencing its worth is undoubtedly brand. The reputation of a brand, the strength of its product portfolio and pipeline, the size of its dealer network and its average new-vehicle sales per dealership all contribute to the earnings multiple that determines a dealership's blue-sky value. While multiples haven't changed a lot for individual brands during the past 20 years, the range of multiples across brands varies dramatically — from as low as 2x a store's annual pretax earnings to as high as 10x.

Some brands are now so desirable that they are reshaping geographic investment strategies. Dealers who once focused exclusively on their local markets, or perhaps where they had second homes, are in some instances now saying they are willing to buy dealerships representing certain top brands anywhere in the country. This represents a fundamental change in dealers' acquisition philosophy.

"In today's automotive retail market, brand is everything," said George Karolis, president of The Presidio Group. "A great brand can increase a store's value by several multiple points, which is transformative when applied to a dealership's sustainable earnings level. We're seeing a remarkable shift where top-tier brands like Toyota and Lexus are so sought after that dealers are now willing to buy stores across the country, far from their traditional markets, simply because the brand is that compelling."

While that sentiment seems to be strongest about Toyota and Lexus, a few other premium brands are similarly sought after regardless of location. Porsche, with its relatively small dealership network, often is a target of that "I'll buy it anywhere" pursuit. Mercedes-Benz and BMW stores also warrant brand-driven rather than location-driven investment strategies.

The current valuation landscape reveals a precise



stratification of automotive brands. Domestic-brand outlets typically trade between 2.5-5x earnings, while import brands range from 4-7x and luxury marques command premium multiples of 6-10x. These bands are not fixed, however.

Individual brands can command higher multiples than typical for their peer group through strategic execution and market performance.

Conversely, brands can experience their earnings and multiples faltering when sales, product competitiveness and profitability turn downward. Nissan and Stellantis' Chrysler-Jeep-Dodge-Ram brands are recent examples of that. When a brand's multiple dips, dealers can see their store values dramatically reduced as they become less attractive to potential buyers.

Volatility also can arise when challenging relationships between dealers and automakers significantly impact brand desirability and dealership values. When automakers adopt overly aggressive or restrictive approaches toward their retailers, they risk damaging dealer relationships, potentially compressing brand attractiveness and undermining the long-term value of their franchise network. Hyundai is one such potential case. Recent challenges in the brand's relationships have pressured Hyundai's market desirability among some buyers.

Given that brand perceptions can change, dealers and investors must remain vigilant and mindful that today's strong brand can become tomorrow's struggling franchise. The reverse can happen, too.

Large dealers often strive to develop a portfolio that strategically balances top-tier imports, high-volume domestic brands and strong luxury franchises. This approach allows dealers to diversify their holdings and mitigate risk while positioning themselves to capture value across different market segments. The most sophisticated investors are looking beyond current financial performance, focusing instead on brands with compelling product roadmaps, technological innovation and long-term growth potential.

Savvy investors also are wise to consider the long-term options for brands with current challenges given that sleeper opportunities present particularly intriguing

investment narratives.

"The most valuable opportunities in automotive retail aren't always where everyone is looking. Instead, they may be where few are paying attention," Karolis said. "Smart dealers understand that today's overlooked brand could be tomorrow's desired franchise — it's about seeing potential beyond current performance and having the courage to invest when others are hesitant."

Consider the brand transformations of the past decade: Subaru has evolved from a niche player to a highly sought-after franchise. Likewise, Mazda has steadily improved its market perception and value.

"Ten years ago, would you have even thought about buying Subaru? If you did, you were brilliant," Karolis said.

In the realm of potential sleeper opportunities, Acura and GMC-Buick dealerships represent intriguing investment prospects for today's contrarian dealers. Despite Acura's current struggles with limited product offerings, its connection to Honda provides a strong foundation for revival, making it an attractive option for forward-looking investors. GMC's robust truck and SUV lineup, particularly the Sierra and Yukon models, are top-notch products in their segments. However, Acura and Buick-GMC stores are often overlooked, creating an opportunity for strategic dealers to place their bets on the brands' underlying strengths and future product potential and acquire outlets at potentially attractive valuations.

The investment landscape rewards dealers who understand these nuances of brand dynamics. Diversification remains key, but the definition of diversification is evolving. It's no longer about simply owning multiple franchises but about strategically selecting brands with strong future potential.

**Bottom line:** The market is evolving rapidly. Changing consumer preferences, evolving automaker product portfolios and global economic shifts will continue to reshape brand value. Dealers who are adaptable, strategic and forward-thinking around brands will be best positioned to realize value from their investments in this dynamic market.