

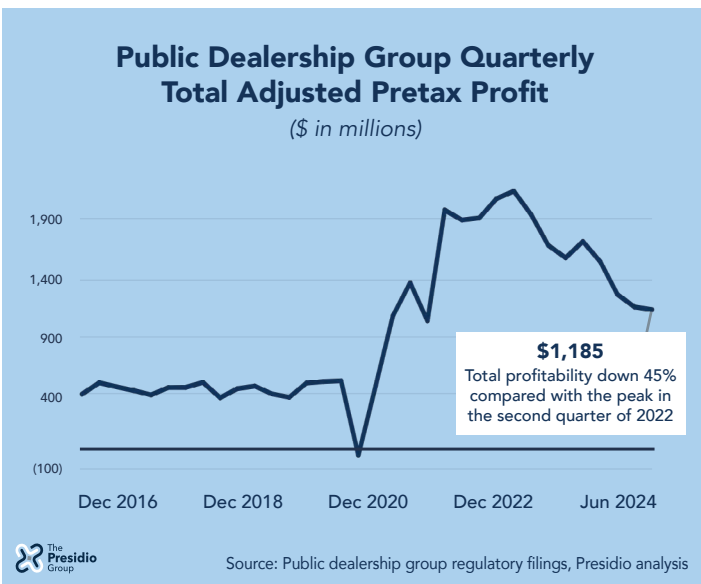
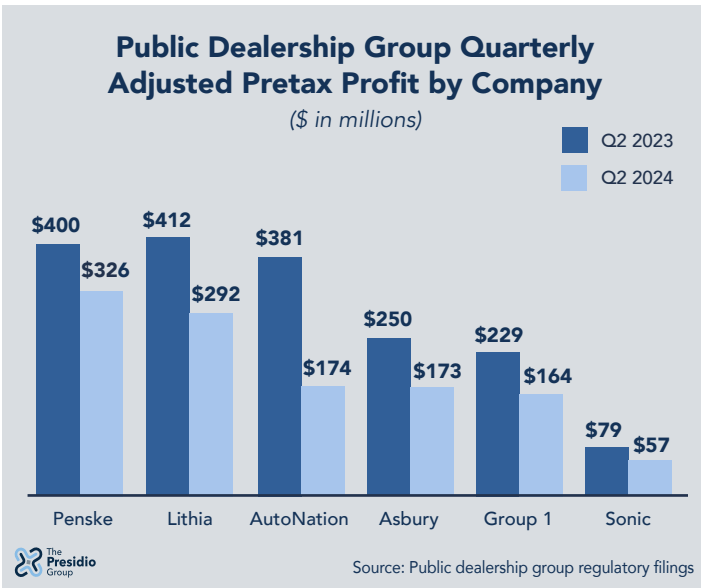
The six publicly traded dealership groups represented 6 percent of new-vehicle retail franchises and 8 percent of new-vehicle unit volume in the second quarter, and thus are a reasonable proxy for volume, revenue and profit dynamics in the U.S. retail automotive industry. The publics continued to see earnings slide last quarter as adjusted pretax profit for the collective group decreased 32 percent to \$1.18 billion. The publics saw a 31 percent drop in earnings per dealership, given the group's 12 percent gain in store count. Several of the retailers pointed to the late-June disruption caused by cyberattacks on dealership software giant CDK Global as crimping results for the period.

The publics' adjusted pretax profit total has declined sequentially in seven of the last eight quarters since peaking in the second quarter of 2022 at \$2.17 billion. The 32 percent year-over-year tumble in 2024's second quarter is worse than 19 percent decrease in the peer group's cumulative profit in 2023's second quarter. The most recent decline also is the most dramatic of seven consecutive year-over-year drops, worse than the 25 percent slide seen in this year's first quarter.

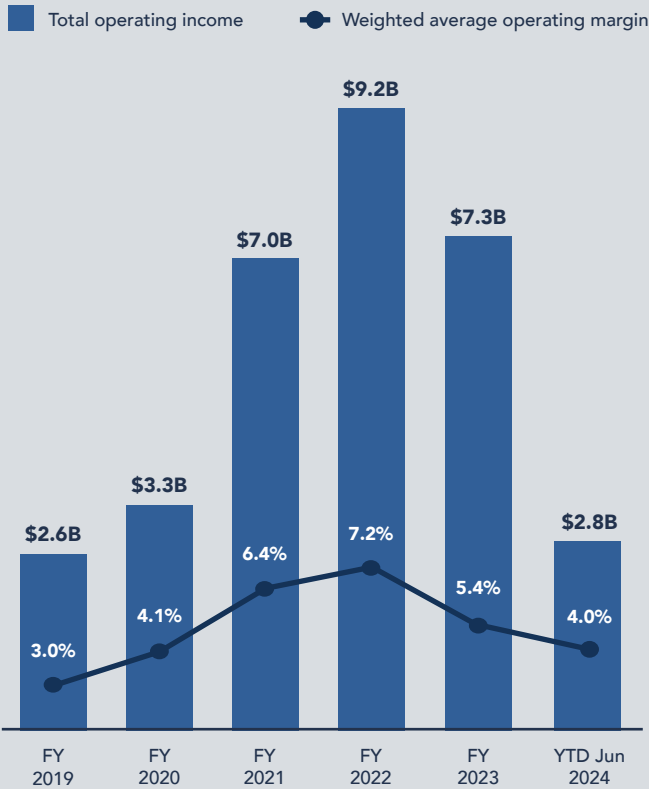
AutoNation posted a 54 percent retreat in adjusted pretax profit in the second quarter, the largest drop of the peer group. While none of the six managed a year-over-year increase, Penske's 19 percent decline represented the best earnings performance compared with year-earlier results among the six public dealership groups. That smaller drop relative to its competitors also made Penske the top adjusted pretax profit earner in the quarter when measured by total dollars. Its \$325.5 million surpassed Lithia's \$292.1 million in the quarter.

Ample new-vehicle inventory is providing a revenue tailwind for the publicly traded retailers. Combined new-vehicle revenue for the peer group was \$17 billion in the second quarter, up 1.1 percent year over year. Combined new-vehicle volume also rose 1.1 percent, and those units sold for an average transaction price of \$52,800, flat compared with the year-earlier period. The publics collectively posted a 23 percent decline in new-vehicle gross profit even with higher volume and flat pricing. That demonstrates that automakers continue to focus their production resources on the more expensive end of their portfolios. Average manufacturer's suggested retail price rose 2.1 percent year over year for the quarter — with MSRP above \$49,000 every month in the quarter for the first time in history. That indicates automakers are building the most expensive nameplates and trim levels, while the excess supply is causing transaction prices to soften. Since November 2022, average transaction price fell 1.3 percent while the average MSRP for typically equipped vehicles rose 2 percent.

The publics' average EV/EBITDA multiple at the close of last quarter was 8.4x, up from 7.4x the prior quarter. Converting a blue-sky multiple to a total cash flow multiple on average adds 1.5-2.0x in a typical transaction. That implies an estimated blue-sky multiple for public dealership

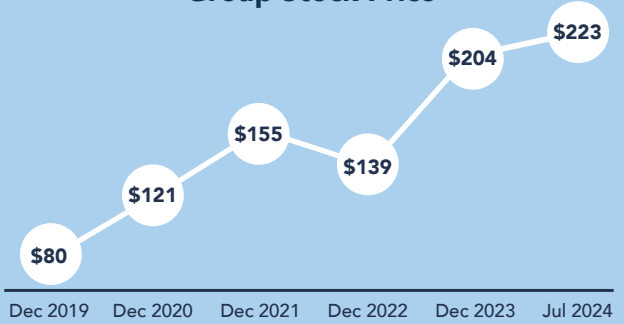


### Total Operating Income and Weighted Average Operating Margin



Source: Presidio analysis of public dealership group regulatory filings

### Average Public Dealership Group Stock Price



Source: Yahoo Finance, NYSE

### Average Public Dealership Group EV/Adjusted EBITDA Multiple



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

groups of between 6.5x and 7.0x, higher sequentially as margin compression continues to drive down earnings.

### Public Company Liquidity and Capital Allocation Strategies

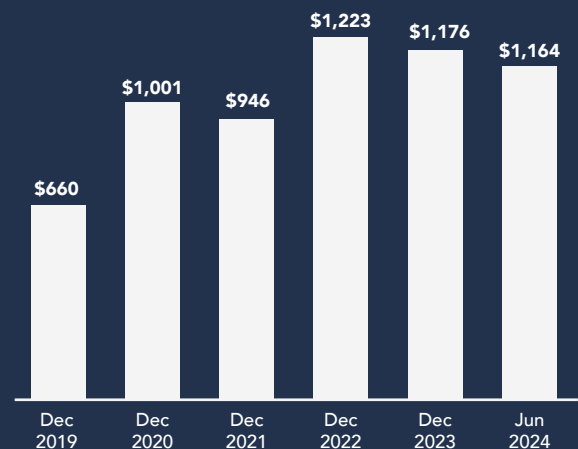
Liquidity for the public peer group – like most metrics – is off the peak, while still higher than pre-pandemic. The combination of cash on the balance sheet and available lines of credit totaled \$6.5 billion at midyear across the six firms, an average of \$1.2 billion per public.

Each public dealership group cites a version of a balanced, efficient, opportunistic capital allocation strategy. The lag in the M&A cycle made 2021 the peak year for acquisition activity as deals were based on pre-pandemic financial results while margins and profitability were increasing.

Integration of deals completed the last few years has become a larger focus now that valuations appear frothy when based in part on the unprecedentedly high earnings environment of 2021 and 2022. But deal action by the publics is still robust. Through the first half of 2024, cumulative spending on acquisitions by the peer group approached \$2.4 billion, up 36 percent year over year.

### Average Public Dealership Group Liquidity Level

(\$ in millions)



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



Source: Public dealership group regulatory filings

**ASBURY** AUTOMOTIVE GROUP Asbury took in \$4.2 billion in revenue in the second quarter. Management considers integrating recent acquisitions and managing its broader portfolio to be a sound capital management strategy in a period of rationalizing valuations. The group has not completed any acquisitions in 2024 but divested a Lexus store in March. It said in April that 10 dealerships were for sale and has divested two Nissan stores and a Chevy dealership since. It completed \$130 million of share repurchases in 2024's first seven months.

**AutoNation** AutoNation took in \$6.5 billion in revenue last quarter. Management states it is committed to the "efficient" allocation of capital between M&A and share repurchases. AutoNation flipped from \$415 million in borrowing to support M&A and share buybacks in the first half of 2023 — in a better interest rate environment — to repaying \$15 million in debt in the first half of 2024. That may indicate the company expects a rationalization of asset prices and a more favorable M&A valuation market (for its preferred return profile) in the future than exists presently.

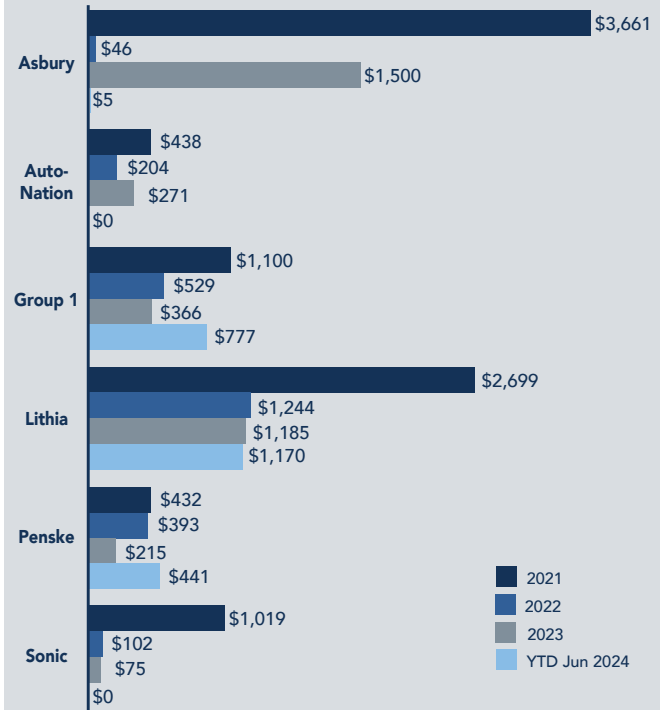
**GROUP 1** AUTOMOTIVE Group 1 took in \$4.7 billion in revenue last quarter. It continues to balance acquisitions and dispositions with share repurchasing, which is significant. The company on Aug. 1 finalized its purchase of 54 Inchcape dealerships in the United Kingdom, adding \$2.7 billion in revenue and doubling its U.K. presence. Group 1 has bought 2.6 percent of its shares back in 2024 for \$100 million, bringing its repurchase percentage to 25 percent of stock in the last 30 months.

**LITHIA** Acquiring an average of \$4.5 billion in annual revenues each of the last four years has made Lithia the largest U.S. dealership group with \$9.2 billion in revenue in the second quarter. Lithia acquired \$5.6 billion in annual revenue in the first half of 2024 but has indicated acquisitions will slow going forward. Its annual target now is to buy dealerships representing \$2 billion to \$4 billion in revenue at a cost ranging from 15 percent to 30 percent of sales. That would equate to annual acquisition spending of \$300 million to \$1.2 billion. At the same time, the company is ramping up stock repurchases, buying back \$202 million in shares in this year's first half. In recent weeks, Lithia bought a minority stake in fleet management company Wheels Inc. and increased its stake in U.K. dealership management system provider Pinewood Technologies.

**PENSKE** Penske collected \$7.7 billion in revenue last quarter. The company's revenue diversity from commercial trucking and international markets enables it to be opportunistic with acquisition resource allocations. Penske has added a total of \$2 billion in annualized revenues so far in 2024. Among its purchases were three Freightliner and Western Star truck dealerships, two independent repair facilities and two Porsche stores in Australia. Penske in July also acquired the largest Ford dealership in the world — Bill Brown Ford of Livonia, Mich., in a transaction facilitated by The Presidio Group.

**Sonic** Automotive The smallest public dealership group with \$3.5 billion in revenue in the second quarter, Sonic remains focused on its Echo Park standalone used-vehicle business and maintaining that unit's fledgling profitability. The used market continues to face inventory acquisition challenges given industry production constraints and low lease penetration during the first few years of the pandemic, which translates to an under-supply of used vehicles through at least 2026.

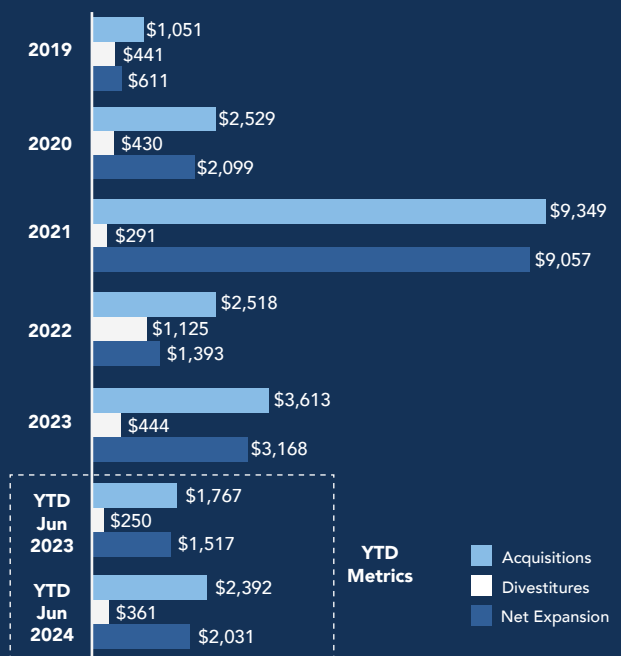
**Public Dealership Group Acquisition Spending by Company (\$ in millions)**



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



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



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

