# Q2 2025 M&A UPDATE/ PRESIDIO VALUATION INDEX

The Presidio Group

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**

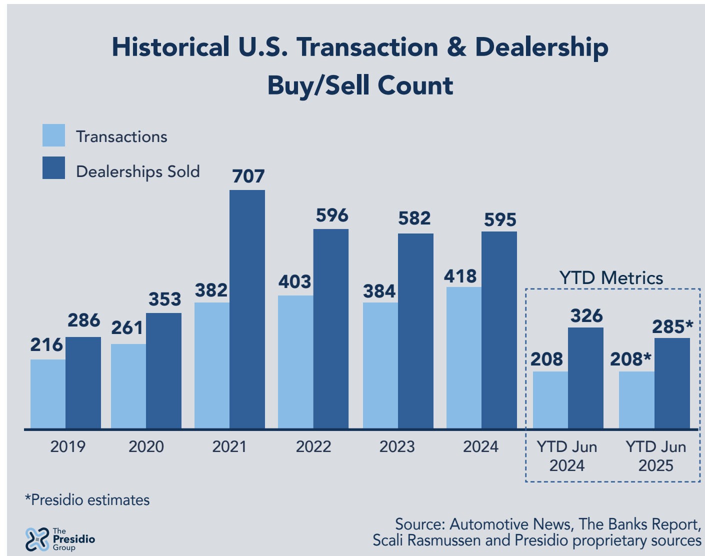
## Overall Market Update

After a first-quarter slowdown in the wake of last year's election uncertainty, the pace of dealership transactions has picked back up, as Presidio anticipated in our last report. We estimate first-half 2025 activity at 208 transactions involving 285 stores — the same transaction count as first-half 2024, which had a higher dealership count of 326.

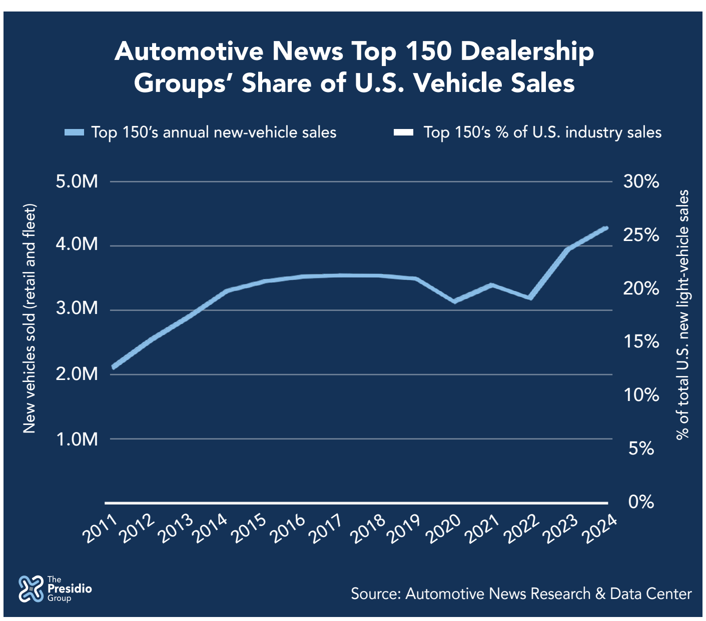
Presidio also updated its transaction tally for 2024 to 418 deals involving 595 stores as news of additional transactions emerged. That put 2024's transaction total at 8.9% higher than 2023's, with 2.2% more stores trading hands.

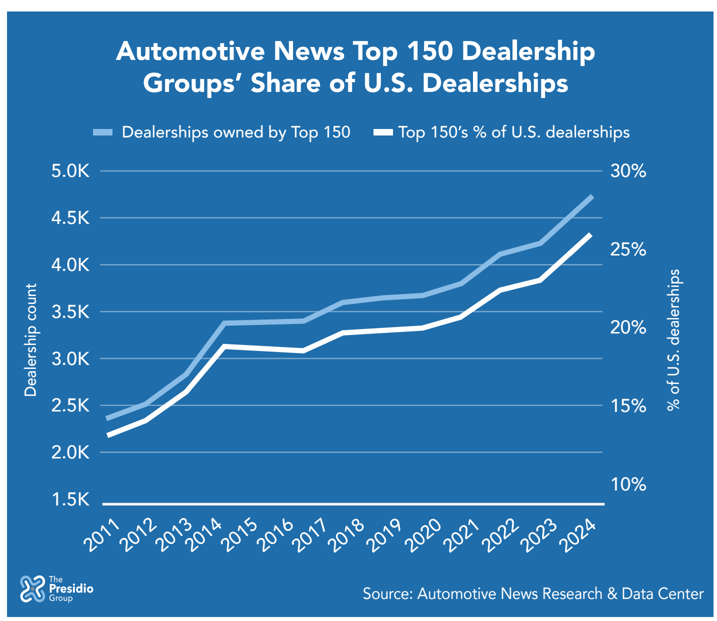
As 2025 continues, the team at Presidio expects transaction counts and number of dealerships sold to meet or exceed 2024's level. July contributed to deal pace acceleration with several acquisitions during the month, most notably Asbury Automotive Group's blockbuster $1.45 billion purchase of 33 Herb Chambers Cos. dealerships in New England.

The Presidio team has facilitated more transactions so far in 2025 than in the same period in recent years. And the number of deals in the Presidio pipeline waiting to be closed is higher than it's ever been before.




"After a slow first quarter tied to the uncertainty around the 2024 election, activity has picked up significantly. With the new-vehicle business stabilizing and clarity on U.S. tariffs emerging, dealership M&A prospects are strong," said George Karolis, president of The Presidio Group. "Presidio



closed six transactions from early June through early August, and our pipeline of pending deals is at an all-time high."

Most recently Presidio advised Group 1 Automotive on its acquisition of Mercedes-Benz of Buckhead in Atlanta.

Industry consolidation continues to accelerate. *Automotive News*' top 150 dealership groups sold 26.7% of U.S. new light-vehicle volume in 2024, up a full percentage point from 2023. The top 150 owned 26.6% of U.S. franchised stores at year-end 2024, up from 25.4% at year-end 2023 and 13.9% for 2011, according to *Automotive News*.

Private dealers remain active in the M&A market, making up 96% of recorded industry transactions in the first half of 2025. That percentage could shift as more deals are recorded for the period. Public dealership groups' 4% of transactions is the highest for a first half since 2022. Several public dealership group leaders indicate they plan to stay busy on the acquisition front.

Bryan DeBoer, CEO of Lithia Motors, in late July said Lithia has a "considerable amount" of deals under contract and will continue to target acquisitions strengthening the retailer's footprint, particularly in the Southeast and South Central U.S.

"We watch the market come to us," DeBoer said. "We act when there's opportunities that make good ROI sense."

Lithia acquired four dealerships in the first half, including two Mercedes-Benz stores in Mississippi and Tennessee in June in a deal facilitated by Presidio.

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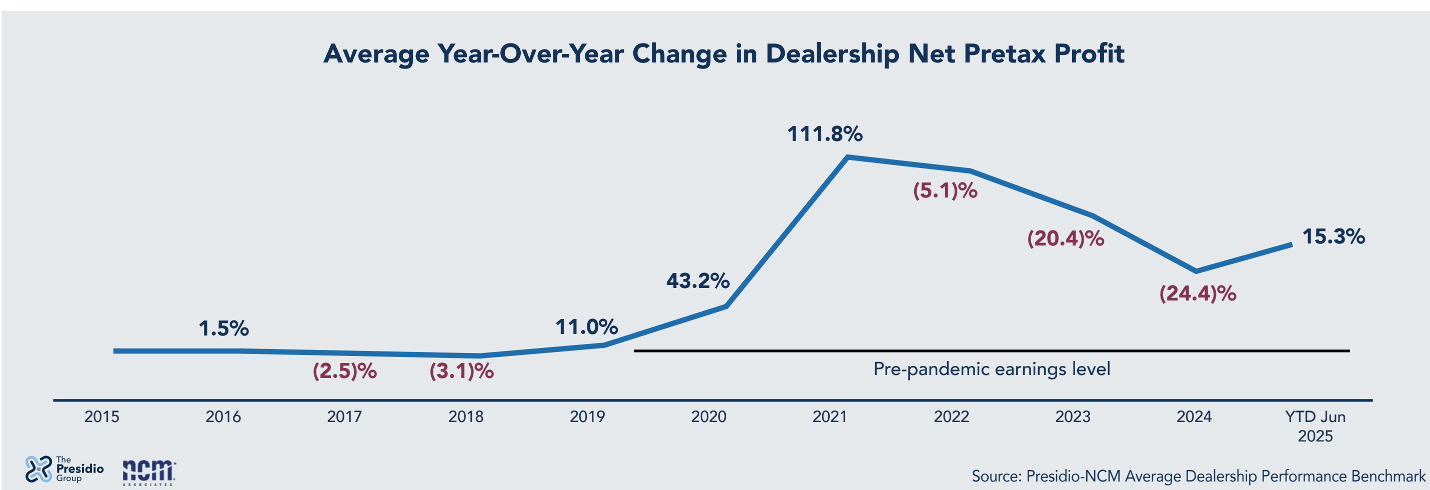
Sonic Automotive Group got back into the acquisition market last quarter after a long absence, buying four Jaguar-Land Rover dealerships in California on June 30.

Group 1 acquired seven dealerships in the first half, including three U.S. stores in May. It also divested three dealerships in the U.S. in the first half, deals in which Presidio advised Group 1. The retailer continues to seek high-value acquisition opportunities as it also actively reviews "underperforming stores and developing appropriate plans," CEO Daryl Kenningham said.

While 2025's acquisition environment "has been fairly quiet because of the uncertainty, it feels like in the last couple of weeks there's a little more activity," Kenningham said in late July. "We're starting to see some more inbound here."

Kenningham said he thinks the industry is positioned for more large deals the likes of the Asbury-Herb Chambers transaction over the next few years.

In transactions that helped offset the investment required for acquiring Herb Chambers, Asbury divested nine dealerships in the second quarter and July. Presidio advised Asbury on its June divestiture of two Toyota stores in California.




The Presidio-NCM Average Dealership Performance Benchmark showed the average store's pretax profit rising 15.3% in 2025's first half. Whether profit gains will continue at double-digit levels is unclear — some top retailers expect a stabilizing new-vehicle market for the rest of 2025 as the impact of higher tariffs are absorbed by the industry. For now profitability is on the uptick and higher than before the coronavirus pandemic. That's an encouraging trajectory to be on.

**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 in our second and fourth quarter reports. 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.

Toyota, Lexus and top German luxury makes continue to lead our valuation guide, though we are reducing blue-sky multiples for a couple of the German brands. Exposure to tariff hikes was a key factor influencing these changes. This tariff lens largely led to a better view of leading domestic brands but more caution around certain European luxury brands.

Electric vehicle policy is another factor considered. Brands with more EV exposure may see more discounting and higher sales as dealers unload EV inventory ahead of the Sept. 30 expiration of federal EV tax credits. While good EV deals may bring some consumers off the sidelines, that scenario could favor domestic brands more. EV price points are much higher for European brands, which generally have made deeper commitments to the battery electric shift. Bargain EV shoppers during this period may be more likely to find the best deal on domestic-brand products with their much lower price points.

Domestic automakers also are more likely to benefit in the new regulatory environment as industry production realigns with organic demand — demand biased to the gas-powered light trucks dominating U.S. automaker product lineups.

Finally, other factors contributing to revised multiples include automaker-dealer relations and the broad brand sentiment dealers reported as part of our midyear survey. Accordingly, we are boosting blue-sky multiples for Mercedes-Benz, Cadillac, Chevrolet and Buick-GMC, which are trending positively. We are reducing multiples for Porsche, Audi and Hyundai.

For most brands with revised blue-sky multiples, we also made changes in one of our other valuation pillar areas, blue sky as a percentage of revenue. This followed broad reductions in that revenue multiplier category across most brands at year-end 2024 to account for the leveling out of earnings from their peak in 2022. That profit normalization continues in 2025 with all brand segments seeing gains in average earnings.

**PRESIDIO IS RAISING VALUATION GUIDELINES FOR:**

↑ **Mercedes-Benz** | **+ 25 basis points to a blue-sky multiple range of 8.0x – 9.25x**

Dealer sentiment about the brand continues to improve in the wake of its pivot to more retail-friendly policies and lessened emphasis on EVs. Dealers are enthused by the return of Adam Chamberlain, who became CEO of Mercedes-Benz USA on July 1 after a stint away from the brand at Aston Martin and Lithia Motors. While Mercedes is open to higher tariffs on its imported vehicles, the Alabama plant assembling its popular and profitable SUVs tempers its tariff risk. With demand and values for its dealerships increasing broadly, we are raising the Mercedes multiple range by a quarter-point on both the high and low ends.

↑ **Chevrolet** | **+ 25 basis points to 4.0x – 5.0x**

Dealers are increasingly positive about Chevrolet. The brand's sales volume rose 9.6% through the first half as its product mix improved. Inventory levels are at an impressive 51-day supply, and Chevy's EV market share is growing. While General Motors' brands do have exposure to tariffs largely through its manufacturing presence in Mexico, the automaker has moved to mitigate that with new investments in U.S. production. We are increasing Chevrolet's multiple range by a quarter-point at both ends.

### Cadillac | + 50 basis points to 3.75x – 4.75x

The Cadillac brand has been one of the industry's stronger performers through the first six months of 2025. U.S. volume increased 16.5% through the first half, and its average price point rose 17.4% on the strength of Cadillac's EV technology and styling. Inventory is up just slightly and at a 61-day supply at the beginning of July. The market seems to be moving back to Cadillac as the clear top luxury U.S. brand. We are increasing Cadillac's multiple range by a half-point at both ends.

### Buick-GMC | + 25 basis points to 3.5x – 4.5x

It's a similar story for Buick-GMC, mostly led by the GMC truck brand. GMC's top-notch pickup and SUV lineup helped drive an 11.2% sales gain for the brand in 2025's first half, as inventory rose just slightly to a 61-day supply. The average GMC discount rate grew by a modest 80 basis points year over year. Buick-GMC stores are often overlooked by buyers, creating a good investment opportunity for strategic dealers to acquire at attractive valuations. We are increasing Buick-GMC's multiple range by a quarter-point at both ends.

## PRESIDIO IS LOWERING VALUATION GUIDELINES FOR:

### Porsche | -50 basis points to 8.5x – 9.5x

Porsche's intricate inventory allocation system and expensive facility program already challenged dealers, even before tariff changes. With tariff hikes adding disruption, its multiples are at risk. While Porsche's dealerships are still highly sought, the German luxury brand is in a tricky spot without U.S. production capacity. It accelerated delivery of vehicles to beat the tariff bump, and many were held at ports. Dealers have been wary about how easy it will be to sell those units and hold transaction prices near sticker. While Porsche's first-half U.S. sales volume rose, inventory grew to a 60-day supply, up from 35 days at the same point in 2024. Dealers informing the latest Presidio Brand Desirability Ranking also were less enthusiastic as Porsche fell out of our Magnificent Seven list of brands, dropping to No. 8 in the midyear ranking from No. 5 at year-end 2024. We are lowering Porsche's multiple range by a half-point at both ends.

### Audi | -25 basis points on the high end to a range of 6.0x – 6.75x

Stale product and more exposure to higher tariffs have been a tough combo for Audi dealers. Audi's U.S. sales fell 11.8% in the first half as tariff policy cut into second-quarter deliveries. Audi paused vehicle shipments to the U.S. for a time in April after the new tariffs were announced and has held some vehicles at U.S. ports. The brand's inventory levels ballooned from a 55-day supply at mid-2024 to a 79-day supply as of July 1. The rate of discounting on Audis modestly increased in the first half. That said, Audi remains a strong brand, and redesigned products in the pipeline will eventually help its prospects. Audi also is considering establishing U.S. production capacity to address the impact of higher tariffs. With the prospect of those stabilizing factors, we are lowering only Audi's high-end multiple, by a quarter-point.

### Hyundai | -50 basis points on the low end to a range of 3.5x – 5.0x

While Hyundai remains in the Presidio Brand Desirability Ranking's top 10, its policies make it increasingly unpopular with some dealers. We are seeing more challenges in the buy-sell market related to Hyundai's M&A process. And some dealers say its facility requests are unreasonable. Hyundai's products are popular with consumers — sales rose 10% in the first half — but the brand's approach with some retailers is the opposite of perennial dealer favorite Toyota. We've trimmed Hyundai's low-end multiple by a half-point.

## The Presidio Valuation Index

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

Average dealership profitability dropped about 20% in 2023 and by more than 24% in 2024 but has rebounded in 2025 thus far, up 15.3% through the first half. Sustainability of earnings varies significantly by brand and often geography. We estimate that net profit as a percentage of sales ranges across brand segments as follows:

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

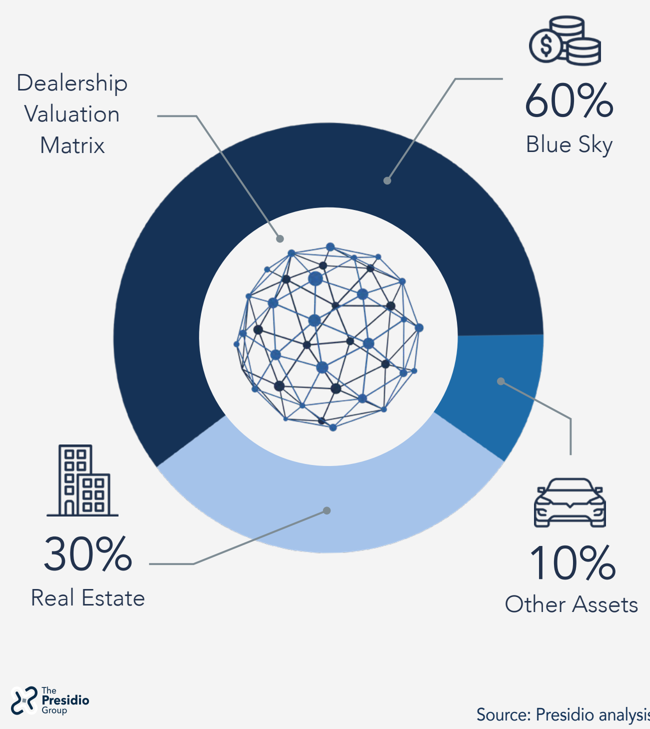
Revenue multipliers help eliminate volatility associated with changes in dealership earnings and are labeled on the following Presidio Valuation Index page as "blue sky as a % of revenue range." Revenue multipliers are a great barometer for estimating initial dealership valuation as they help neutralize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

### Dealership Valuation Overview and Methodology

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

Presidio has created an index that includes three pillars of valuation — blue-sky earnings multiples, a multiplier based on a percentage of dealership revenue and a return on investment calculation — and uses other key factors such as a brand's network size to help stakeholders triangulate an estimated value of a dealership. Presidio evaluates each brand on the three pillars twice a year and revises multiples or other factors as needed. While we believe our approach helps triangulate value, it's important to note that our guide is still simply a guide. Anyone looking to sell or buy dealerships should consider using experts to conduct a deeper evaluation to determine value. For more information on Presidio's valuation methodology, go here: **https://thepresidiogroup.com/valuationmethodology**

**Dealership Valuation Components**




Source: Presidio analysis

# The Presidio Valuation Index

The Presidio Valuation Index uses three pillars of valuation to help estimate dealership value by brand. We adjust brand-level guidelines twice a year, after the second and fourth quarters. Major factors influencing our changes in this report include shifting tariff and electric vehicle policies and automaker-dealer relations. With domestic brands more likely to benefit from the new regulatory environment, we've increased blue-sky multiples for Cadillac, Chevrolet and Buick-GMC. With dealer sentiment improving, we also raised multiples for Mercedes-Benz. We are reducing multiples for Porsche, Audi and Hyundai. For most of these brands, we've also revised blue sky as a percentage of revenue, one of our other valuation pillars.

| Presidio Valuation Pillars → | Blue Sky as % of Revenue Range | Blue-Sky Multiple Range | Average Estimated ROI | Dealership Count as of Jan. 1, 2025 | 2024 New-Vehicle Volume/Dealership |
|---|---|---|---|---|---|
| Lexus | 48% - 62% | 9.0 - 10.0 | <10% | 244 | 1,417 |
| Porsche | 52% - 67% | 8.5 - 9.5 | | 202 | 381 |
| Mercedes | 41% - 50% | 8.0 - 9.25 | | 384 | 975 |
| BMW | 43% - 52% | 7.75 - 9.0 | | 350 | 1,061 |
| Toyota | 38% - 48% | 7.5 - 9.0 | | 1,237 | 1,607 |
| Land Rover | 31% - 40% | 6.25 - 7.75 | | 202 | 528 |
| Subaru | 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 - 6.75 | | 307 | 643 |
| Kia | 14% - 24% | 4.5 - 5.5 | | 795 | 1,006 |
| Chevrolet | 13% - 19% | 4.0 - 5.0 | 15% | 2,886 | 598 |
| Hyundai | 14% - 24% | 3.5 -5.0 | | 852 | 988 |
| Ford | 13% - 19% | 3.75 - 4.75 | | 2,839 | 682 |
| Cadillac | 11% - 16% | 3.75 - 4.75 | | 567 | 282 |
| Volvo | 12% - 17% | 3.5 - 4.5 | | 281 | 444 |
| Mazda | 11% - 16% | 3.5 - 4.5 | | 541 | 783 |
| Buick-GMC | 10% - 14% | 3.5 - 4.5 | | 1,659[1] | 553 |
| Acura | 10% - 14% | 3.0 - 4.0 | | 274 | 485 |
| Volkswagen | 10% - 14% | 3.0 - 4.0 | | 633 | 596 |
| CDJR | 4% - 10% | 2.5 - 3.5 | | 2,398[2] | 539 |
| Nissan | 4% - 10% | 2.5 - 3.5 | | 1,069 | 806 |
| Infiniti | 4% - 10% | 2.0 - 3.0 | 20% | 197 | 292 |

1) Dealership count represents GMC outlets

2) Dealership count represents Chrysler outlets

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

# Presidio's Valuation Matrix Spotlight

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

## Geography

### Geographic location is a driving force behind dealership demand and, ultimately, what a store may be worth

In addition to brand and earnings potential, geographic location is one of the most important factors determining the value of a dealership.

States with booming populations, business-friendly policies, warmer climates and low or no state income taxes are consistently among the most popular acquisition targets for dealership buyers as such factors contribute to robust profitability and long-term growth prospects. When more acquirers target such areas, a resulting supply-demand imbalance boosts store valuations.

The Presidio Group, in its recent Midyear 2025 Dealer Direction Survey, queried dealers about the most desirable areas in which to buy. The Southeastern U.S. was their top pick, chosen by 60% of respondents. Survey takers could select up to three regions. The Southwest came in second, selected by 40%.

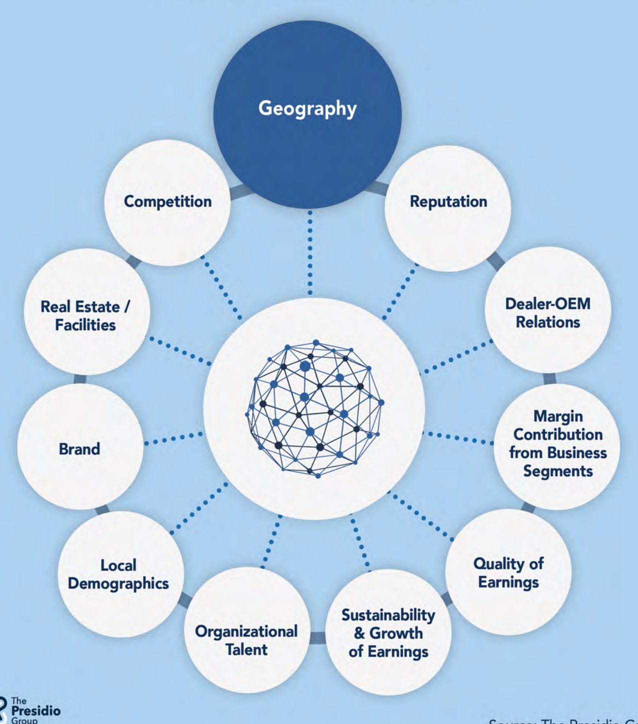
"Those parts of the country typically have growing populations and less regulatory burden — so it's no surprise so many dealers want to be there," said George Karolis, president of The Presidio Group. "Buyers are looking for markets where long-term growth and a stable business environment can help offset any future industry headwinds."

Florida, with its attractive climate, population boom and pro-business regulatory environment, is the most in-demand state, Karolis said. With no state income tax and business-friendly conditions, Florida dealerships in good markets usually sell at the high end of blue-sky multiple ranges. Stores representing top brands in great markets can sell at multiples well above published ranges.

Texas, with many of the same attributes as Florida, is next in demand, Karolis said.

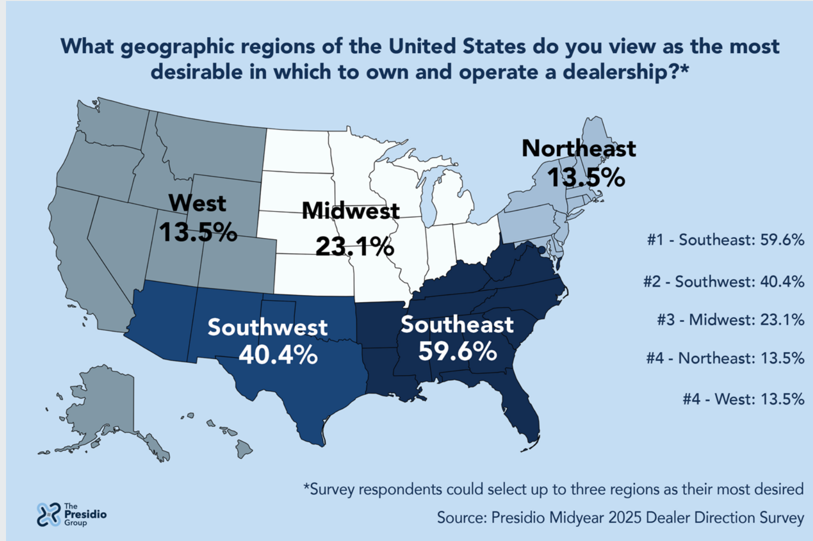
The Midwest region, with several business-friendly states, was ranked third by survey respondents. The Northeast and West tied as the least desired. Manystates in the latter two regions have higher

**Presidio's Valuation Matrix**




Source: The Presidio Group

taxes and more regulatory oversight, but they have appealing qualities, too, such as population density in the Northeast. There is still healthy demand for buying dealerships in those areas.




While some buyers avoid California for its higher costs and regulatory environment, many dealers want to be there for its attractive climate, high units-in-operation level and industry-leading sales volume — about one of every nine U.S. new vehicles in 2024 was sold there. California stores can deliver good returns, and their acquirers chalk up the expense

expense and regulatory environment as a cost of doing business that's baked into the purchase price. California has been among the top states for dealership transaction count in *Automotive News*' annual buy-sell report in recent years.

A dealer's second-home location also can be a factor in where they buy. Some want to expand in places where they vacation or spend the winter, which helps support demand in states like Florida, Arizona or Colorado.

***"Buyers are looking for markets where long-term growth and a stable business environment can help offset any future industry headwinds."***

— George Karolis, president of The Presidio Group

Market size is another consideration. Rural areas typically have slower growth rates, lower populations and smaller volumes, and it can be hard to find enough management talent. That translates to less demand from dealership buyers. But rural stores can be solidly profitable given lower costs and fewer competitors. With a lower investment hurdle, some dealers have become rural consolidators.

Still, there's more demand in midsized and large metro areas where dealerships typically command mid-to-high-range multiples.

Increasingly, the strength of certain brands can trump geography. "We hear regularly from dealers that they'll buy Toyota anywhere — or large luxury dealerships representing Lexus, Mercedes or BMW," Karolis said.

Strategy around geography can differ greatly between public and private dealers. Many private dealers prefer to focus on dominating a specific metro area or state. The six public groups and a handful of the largest privately owned groups, however, are more likely to invest across a national footprint.

There are trade-offs between concentrating stores in one area vs. spreading out across a region or nationally. Concentration enables operational efficiencies and promotes a strong local reputation but can limit growth.

"If you want to significantly expand your dealership group, you'll likely need to look beyond a single metro area to find lasting growth opportunities," Karolis said.

**Bottom line:** Geography remains a central driver of dealership value, with locations in the Southeast and Southwest leading the way. Areas with great weather, stable business climates, strong population growth and higher levels of units-in-operation supporting the service business are in high demand. In the end, a well-planned strategy around geography sets dealers up with a clear roadmap for portfolio growth and, when appropriate, repositioning of their investments into more optimal locales.