The Presidio Group

Q2
2026

Presidio Perspectives:

Dealership M&A Market Update

SECOND QUARTER 2026

Q2 2026 DEALERSHIP M&A MARKET UPDATE

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

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

Overall Market Update

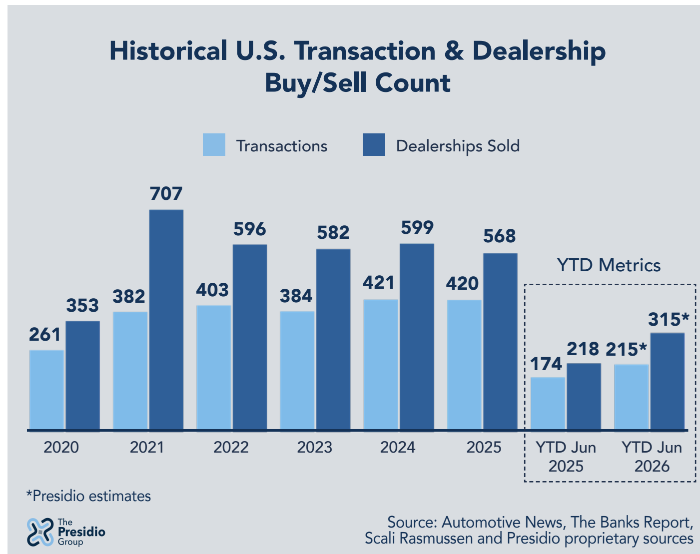
With dealership buy-sell activity continuing to strengthen in 2026's second quarter, there's no end in sight to the industry's robust transaction pace as the supply-demand equation continues to favor sellers. Yet with average dealership earnings softer against a more uncertain backdrop, buyers are increasingly selective about how and where they deploy their capital, intensifying competition for the most desirable stores coming to market.

Given deal pace reported so far, The Presidio Group estimates first-half 2026 transactions will rise 23% to approximately 215, involving about 315 dealerships. While partly a rebound from early 2025's slower closing pace that followed a pause around the 2024 presidential election, the first-half cadence demonstrates 2026's healthy M&A demand, particularly as more dealers pursue portfolio management initiatives to strengthen their footprints.

"The M&A market remains robust, but buyers are much more selective about what they want to own," said George Karolis, Presidio president. "The highest-quality assets continue to command significant interest, reinforcing the flight-to-quality trend we've been talking about for a while now. But there is a wider spread between the stores buyers are excited about and those they are more cautious about."

Key second-quarter themes include:

- **A sellers' market for prime assets continues** as demand far outstrips supply of desirable stores. In the Presidio Midyear 2026 Dealer Direction Survey, 64% of respondents said they want to buy in the next year.
- **Portfolio management is becoming a bigger driver of transaction activity.** Deal volume is rising as more dealers pursue both acquisitions and divestitures to improve their mix of brands, markets and scale.
- **Auto retailing continues to face near-term headwinds.** Dealers expressed concern about falling profits, geopolitical conflict, rising costs and flagging consumer confidence in Presidio's midyear 2026 survey.
- **The accelerating flight to quality and supply-demand imbalance mean increased competition** for stores in the most desirable markets and representing such brands as Lexus, Mercedes-Benz, BMW, Toyota, Honda, Subaru, Kia, Chevrolet and Ford.

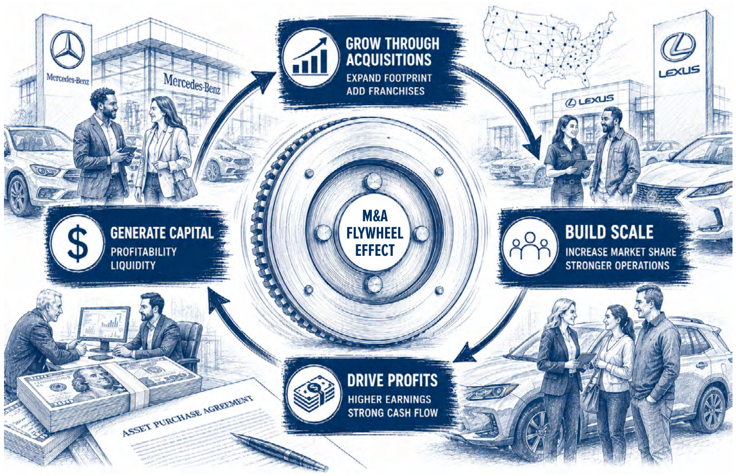


- **Brand-level divergence is widening.** Even as the most attractive stores command premiums and multiple bidders, dealerships representing struggling brands or located in challenging markets face increased scrutiny.
- **Dealers remain optimistic about the future.** Over the next three years, 64% of dealers responding to the latest Presidio survey expect earnings to increase or remain the same, while 75% expect dealership values to increase or remain stable.

Presidio's own book of business reflects these themes and industry deal growth. The firm advised on nine transactions involving 22 dealerships that closed during 2026's first half, a record six-month Presidio deal count. Presidio's pipeline of business is at an all-time high and continues to build.

Industry dealmaking also is poised to continue growing. The largest dealership groups, both public and private, have substantial resources to pursue M&A after years of above-normal profitability strengthened their balance sheets.

For example, the six public groups reported a collective $7.3 billion of available liquidity as of March 31, up 58% from pre-pandemic levels. The publics highlight a disciplined approach to capital allocation, meaning potential acquisitions are competing against other uses of capital, including share repurchases, debt reduction and technology investments.



Lithia Motors has been one of the industry's most active acquirers, but CEO Bryan DeBoer said in April the company will "deploy capital where it generates the highest returns for shareholders," noting "a continued bias towards repurchasing while our shares are trading at a discount."

Still, Lithia continues to buy in 2026, acquiring a Tennessee Toyota dealership, an Arizona Kia outlet and a Mercedes-Benz store in its hometown of Medford, Ore., in a transaction facilitated by Presidio. Lithia also sold a Colorado Ferrari store.

Both public and private groups are leaning hard into portfolio management as demonstrated by many second-quarter transactions. Typically more than 90% of industry transaction volume involves a private buyer.

Some of the industry's most prominent private dealers have made strategic moves to hone their footprints this year. Fletcher Jones Automotive Group in June sold Mercedes-Benz, Porsche and Audi dealerships in Fremont, Calif., to AutoNation. That followed its sale of Mercedes-Benz and Audi stores in Chicago late last year, also to AutoNation. But Fletcher Jones is buying, too, having purchased Mercedes-Benz of Beverly Hills from Group 1 Automotive in March to expand its Southern California presence. Presidio was an advisor in all of those transactions.

"Buyers are much more selective about what they want to own."

— George Karolis, president of The Presidio Group

AutoNation's moves are a clear example of the flight-to-quality trend. CEO Michael Manley said in May the retailer aimed to "add scale and density in our existing markets." AutoNation sold Lincoln and Ford stores this year, too.

Penske Automotive Group is enhancing its network, too, acquiring two large Lexus stores in the Orlando market described by CEO Roger Penske as "high-performing and strategic" assets in one of the U.S.'s fastest-growing regions.

Penske said it reviews holdings based on brand, location and OEM capital requirements to gauge which assets meet its long-term return target. "We determined there were probably a number of locations we would need to sell in order to get a return that we would want," Roger Penske said in April. Penske subsequently sold BMW and Mercedes-Benz stores.

Other public and private retailers are taking similar approaches.

Group 1 has continued to divest stores that no longer fit its capital-allocation priorities. CEO Daryl Kenningham noted in April that the sale of two luxury-brand dealerships in California this year garnered valuations exceeding Group 1's own multiple.

Asbury Automotive Group in the first quarter sold 10 stores, including nine in St. Louis and Greenville, S.C., in transactions advised by Presidio. Proceeds were used to trim debt and buy back shares. "Our trading price undervalues the earning potential of the company, and we took advantage of this price-to-value dislocation to accelerate our repurchase activity," then-Asbury CEO David Hult said in April.

The actions illustrate how some of the industry's most sophisticated buyers are increasingly concentrating capital in brands, markets and assets they believe offer better long-term returns. It also signals a higher bar for acquisitions vs. share repurchases, debt reduction and other investments.

"Dealers are assessing each asset much more individually than they were a few years ago as they look to leverage their resources for the best returns possible," said Alex Watterson, Presidio managing director.

Presidio's midyear 2026 survey reinforces that increased scrutiny — 18% of respondents indicated interest in selling, up from 11% at year-end 2025 and the highest percentage since Presidio began querying dealers in 2023.

That increased interest in selling combined with buyers' still-strong appetite for acquisition will likely continue to fuel dealership M&A through 2026 and beyond.

"Dealers are looking much harder at the full picture of ownership — the brand, the market, facility requirements and the long-term earnings outlook," Karolis said. "With that scrutiny driving both acquisitions and divestitures and supported by robust liquidity, Presidio expects an M&A flywheel effect to continue where more activity begets more activity."

Brand Watch

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

The Presidio Valuation Index summarizes those factors for all brands we cover. As of this quarter, we have modified the index presentation, moving from an overall list of brands to groupings by brand segment. Our view is that the new presentation provides a more direct comparison of valuations for brands relative to their respective market competition.

Adjustments made to a brand's valuation factors, such as blue-sky multiple ranges, are informed by feedback on dealership operational performance and automaker-dealer relations shared by dealers with Presidio's transaction team; our proprietary knowledge of multiples and transaction prices in recent dealership acquisitions; brand sentiment captured in the Presidio Dealer Direction Survey; and current sales, inventory and incentive metrics tracked for each brand.

This quarter's update adjusts blue-sky multiple ranges for several brands. Given those changes and shifts in brand performance and earnings profiles, we also have modified ranges for blue sky as a percentage of revenue for some brands.

Key Presidio observations in the current valuation environment include:

- The flight-to-quality trend is as strong as ever. We are seeing stable-to-increasing valuations for the top luxury brands, including Lexus, Mercedes-Benz and BMW, and the top import brands, including Toyota, Subaru and Honda. This is especially true for dealerships in highly desired geographies. Meanwhile, certain domestic-brand stores in strong locations are increasingly viewed as good investments, helping valuations in particular for Chevrolet and GMC dealerships.
- Valuations for other brands like Audi continue to be under pressure. And given the variability of dealership earnings, multiples have become difficult to apply for Volvo, Infiniti and Volkswagen.
- Still more brands bear watching. Presidio will monitor value trends in the second half with an eye toward modifying valuation guidelines at year-end. Brands on our radar today for near-term adjustment include Porsche, Hyundai and Nissan.

PRESIDIO IS RAISING VALUATION GUIDELINES FOR:

↑ **Lexus** | **+100 basis points to a blue-sky multiple range of 10.0x – 11.0x**

Lexus remains the crown jewel of U.S. dealership M&A. It is rare to see a Lexus dealership transact below a 10x blue-sky multiple in today's environment. With 244 dealerships in its network — fewer than luxury volume competitors Mercedes-Benz (386 dealerships) and BMW (351 dealerships) — Lexus by far has the highest per-store new-vehicles sales among luxury players in the industry. The brand is not over-saturated, and the relationship between the automaker and its dealers has never been stronger. We are raising the Lexus multiple range by a full point on both ends.

↑ **BMW** | **+25 to +50 basis points to a range of 8.0x – 9.5x**

BMW remains a high-demand luxury bellwether. Whether by chance or design, BMW's product portfolio is perfectly positioned for the recent shift in industry ideology between pure electric vehicles and hybrids. Rather than pushing consumers into EVs, a strategy some peers pursued, BMW moved to offer the option of an internal combustion engine, hybrid system or electric battery propulsion. The approach gives BMW customers the same look and feel regardless of powertrain choice, and they are not compromising styling for sustainability. This has proven to be the right call as BMW's market share rose to approximately 19.5% of all luxury volume in the U.S. in 2025, from 16.4% in 2020, according to Bloomberg data. By contrast, luxury peer Audi's volume fell 4% over the same period. When a BMW dealership comes to market, it is scooped up quickly. We are raising the BMW multiple by a quarter-point on the low end of the range and a half-point on the high end.

Toyota | **+50 basis points to a range of 8.0x – 9.5x**

We have previously noted the buyer exuberance surrounding the Toyota brand, which now trades at multiples similar to those of top luxury dealerships. We still think the brand may already be priced for perfection, but it's also true that Toyota dealerships continue to test new all-time valuation highs, especially in the Southeast U.S. Toyota's OEM-dealer relationship is second to none, and dealers have consistently named the brand No. 1 on the Presidio Brand Desirability Ranking since we began surveying them in 2023. Toyota is the industry's perennial throughput leader, with average sales of 1,736 new vehicles per store in 2025. Current valuation levels are being driven by new-vehicle supply and the demand dynamic. We are increasing Toyota's multiple range by a half-point on both ends.

Chevrolet | **+25 basis points to a range of 4.25x – 5.25x**

GMC | **+50 basis points to a range of 4.0x – 5.0x**

In our midyear 2026 brand ranking, released in June and informed by the Presidio Dealer Direction Survey, Chevrolet moved up two spots from year-end 2025 to take the No. 8 position. GMC, meanwhile, held at No. 12 but is up one spot from a year ago and up four places compared with year-end 2024. The ranking gains reflect dealers' growing interest in these domestic-brand stalwarts. While transaction valuations can vary by region, we are seeing high-performing Chevy and GMC stores garnering premiums in the M&A market throughout the southern U.S. and in other business-friendly climates. General Motors' pragmatic moves to rebalance inventory across its network for a struggling brand like Buick, which is commonly paired with GMC outlets and often Chevrolet, too, also has helped. And while it is hard to describe any brand's image requirements as inexpensive, most dealers seem to view GM's criteria as more reasonable than those by other lower-throughput brands with similar product price points. We are increasing Chevrolet's multiple range by a quarter-point on both ends. We are increasing GMC's multiple range by a half-point on both ends.

PRESIDIO IS LOWERING VALUATION GUIDELINES FOR:

Audi | **-50 basis points to 5.0x – 6.0x**

Today's market for Audi stores reflects dealer concerns about the brand's current vehicle lineup and its near-term outlook. Audi's focus on EVs contributed to the brand's underperformance in both sales volume and residual values over the past decade. It also led to a product portfolio that became one of the oldest in the industry, though significant launches of redesigned or all-new models in 2025 and 2026 are expected to help. In its 2025 sustainability report, Audi's CEO said the brand's product refresh would cut the average age of its vehicles by roughly three years in the medium term. In addition to aging products, higher tariffs have played a significant role in lowering consumer demand. Audi executives expect U.S. sales performance to begin to rebound as newly launched vehicles gain traction. We still see demand for Audi dealerships as many potential buyers are optimistic about long-term prospects and view the current market as an opportunity to acquire an established luxury brand dealership at a discount. Still, with the timing of a potential sales rebound uncertain, some store owners may be considering near-term exits, and potential buyers may seek further discounts. We are lowering Audi's multiple range by a half-point on both ends.

PRESIDIO IS REMOVING BLUE-SKY MULTIPLE GUIDELINES FOR:

Infiniti, Volvo and Volkswagen

We are removing blue-sky multiple ranges entirely for these brands. Many dealerships representing these brands are currently unprofitable or near break-even levels. That renders multiples less meaningful when trying to determine a reading across transactions. However, today's lack of earnings doesn't entirely negate the intangible value of these franchised dealerships. Though many operators are underperforming and may be focusing on better-performing holdings in their portfolios, these brands may present a value opportunity in certain high-growth markets.

Brand Buzz:

Brands on our radar include a challenged icon and an embattled import showing promise

While our valuation guidelines remain unchanged for these brands this cycle, they continue to generate significant discussion within Presidio's transaction team and among dealers active in the buy-sell market. Whether due to shifting dealer sentiment, evolving automaker strategies or changing market dynamics, these are key brands we're monitoring closely heading into the second half of the year.

Under pressure but iconic brand remains in demand

Key among concerns about **Porsche** are dealer margin reductions coupled with significant tariff-induced price increases across the product lineup. In addition, the timing of Porsche's pivot on its entry-level battery-electric powertrains proved ill-advised, as brand volume leader Macan continues to struggle while dealers await a refreshed ICE model. Supply issues and related allocation friction also are proving a challenge, particularly for lower-volume stores. We expect Porsche dealerships will remain in high demand, albeit with wider near-term variation in values relative to prior periods based on market, operating performance and real estate considerations. We reduced our blue-sky multiple range for Porsche in January and continue to keep close watch on the brand.

Strong consumer brand with strained dealer relations

Hyundai remains an attractive brand to consumers, having consistently gained market share since 2020. That said, we believe Hyundai's relationship with its U.S. dealers is impacting its potential in the M&A market. Many dealers simply cannot make the brand's image requirements pencil in their markets, in part because they're ill-positioned to participate in the brand's chess game around volumes and incentives. We expect Hyundai acquisition opportunities to increase in numbers in the near-term, but the overhang of strained dealer-OEM relations and facility requirement pressures may suppress multiples in most markets. We reduced our blue-sky multiple range for Hyundai in mid-2025 and continue to monitor market activity closely for the brand.

Sharp gain in dealer brand ranking amid ongoing struggles

Nissan's five-spot jump to No. 19 in the Presidio Brand Desirability Ranking after our mid-year 2026 dealer survey was a surprise development. Despite the brand's profitability struggles, we are seeing more interest in Nissan dealerships as dealers seem to be taking a measured risk on the brand's future potential.

Presidio Brand Desirability Ranking

Dealers responding to the Presidio Midyear 2026 Dealer Direction Survey ranked the desirability of owning stores representing the following brands:

PRESIDIO'S TOP 10

Toyota		9.28
Lexus		8.65
Honda		8.05
Subaru		7.52
Mercedes-Benz		7.20
BMW		7.15
Kia	↑1	6.95
Chevrolet	↑2	6.71
Ford		6.41
Porsche	↓3	6.33
Hyundai		5.87
Buick-GMC		5.29
Mazda		5.01
Cadillac	↑1	4.66
Genesis	↑1	4.38
JLR	↑1	4.31
Audi	↓3	4.28
Acura		3.75
Nissan	↑5	3.72
Ultraluxury		3.63
CDJR		3.39
Volkswagen	↓2	3.32
Lincoln		3.19
Volvo	↓3	3.00
Infiniti		2.41

Source: Presidio Midyear 2026 Dealer Direction Survey

↑↓ represents a brand's position change from the prior ranking

The Presidio Valuation Index

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

Average dealership profit dropped 20% in 2023 and by more than 24% in 2024 before rising 6.3% in 2025. The average store's profit then dipped by 11.2% in the first quarter of 2026. 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%

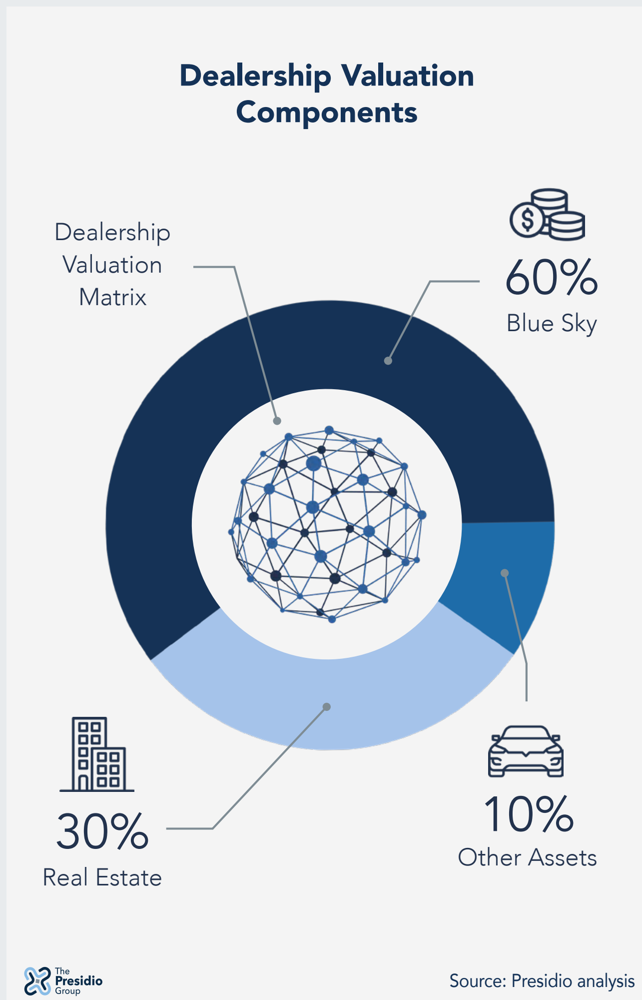
Revenue multipliers help eliminate volatility associated with changes in dealership earnings and are labeled on the following Presidio Valuation Index page as "blue sky as a % of revenue range." Revenue multipliers are a great barometer for estimating initial dealership valuation as they help neutralize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



The Presidio Valuation Index

The Presidio Valuation Index uses three proprietary pillars of valuation to help estimate dealership value by brand. Two of them — blue-sky multiples and blue sky as a percentage of revenue — are provided for each brand on the index below. We adjust brand-level guidelines twice a year, after the second and fourth quarters. Blue-sky multiple ranges in this report were increased for Lexus, Toyota, BMW, Chevrolet and GMC, lowered for Audi and removed for Volvo, Infiniti and Volkswagen.

Brand		Blue-Sky Multiple Range Low	Blue-Sky Multiple Range High	Blue-Sky as % of Revenue Range	Dealership Count[1]	2025 New-Vehicle Volume/Dealership
LUXURY						
Lexus	↑	10.0x	11.0x	60%-70%	244	1,518
Mercedes-Benz		8.0x	9.5x	45%-55%	386	891
BMW	↑	8.0x	9.5x	45%-55%	351	1,108
Porsche		8.0x	9.5x	50%-60%	204	376
Land Rover		6.25x	7.75x	31%-40%	203	526
Audi	↓	5.0x	6.0x	20%-25%	306	537
Cadillac		3.75x	4.75x	11%-16%	567	306
Acura		3.0x	4.0x	10%-14%	274	487
Volvo		N/A[3]	N/A[3]	4%-10%	279	434
Infiniti		N/A[3]	N/A[3]	4%-10%	194	270
IMPORT						
Toyota	↑	8.0x	9.5x	40%-50%	1,236	1,736
Subaru		6.25x	7.25x	30%-38%	643	1,003
Honda		6.0x	7.25x	28%-38%	1,072	1,211
Kia		5.0x	6.25x	20%-30%	799	1,069
Hyundai		3.5x	5.0x	14%-20%	859	1,054
Mazda		3.5x	4.5x	11%-16%	544	756
Nissan		2.5x	3.5x	4%-10%	1,055	822
Volkswagen		N/A[3]	N/A[3]	4%-10%	629	523
DOMESTIC						
Chevrolet	↑	4.25x	5.25x	15%-20%	2,872	631
Ford		4.0x	5.0x	13%-19%	2,810	738
GMC	↑	4.0x	5.0x	13%-19%	1,652	631
CDJR		2.5x	3.5x	4%-10%	2,366[2]	528

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

1) As of Jan. 1, 2026 2) Dealership count represents Chrysler outlets 3) N/A indicates a brand's financial performance is not consistent enough to justify assigning a blue-sky multiple range

Presidio's Valuation Matrix Spotlight

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

Competition

Evaluating a transaction target's competitive position helps buyers measure value and risk

The competitiveness of a market helps shape how dealership buyers assess long-term potential and risk of acquisition targets, starting with the makeup of a brand's network in the target area.

Buyers first look closely at whether they are buying into a right-sized network. Too many same-brand stores chasing the same customer pool in a single market dampens long-term growth and profit prospects.

"Competition is less about whether you're up against a public company and more about how many same-brand points the market is being asked to support," said George Karolis, president of The Presidio Group. "An overdealered market means each store is competing for a smaller slice of the same pie, and that hurts a store's ultimate potential and thus affects its value to a buyer."

A comprehensive competition analysis by buyers typically looks at a range of indicators including:

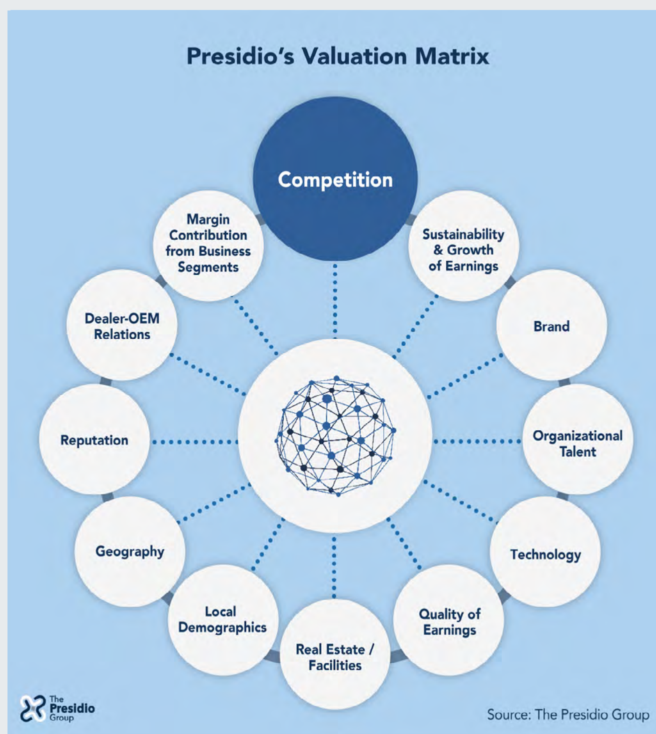
- **A brand's network makeup in a particular market**, including the density of retail points it maintains relative to sales volume and units-in-operation levels
- **Sales efficiency and other performance metrics** for the target dealership relative to the rest of the like-brand stores in the market
- **Other market-level dynamics** such as a target store's proximity to like-brand dealership locations or other auto retail competitors like used-vehicle giant CarMax
- **A store's location in a market** relative to common traffic patterns and key demographic characteristics such as population growth or income concentration
- **Local operating norms** such as operating-hour rules and prevailing pricing models

When assessing a market's crowding and density, a buyer ultimately is weighing the target store's long-term ability to maintain earnings, defend share and create value.

"We pay close attention to how many vehicle owners a dealership can reasonably expect to retain as sales and service customers over time," said Jamie Albertine, Presidio managing partner. "Stores tapping into a large units-in-operation pool with fewer same-brand competitors nearby can generate strong fixed-operations profits, but an overdealered market spreads those customers across more rooftops, limiting that opportunity."

Concerns about too many same-brand points in a market tend to apply to domestic brands, which built extensive dealer networks during an era when they commanded far larger shares of the U.S. market. Even as the domestics ceded share to new entrants over many decades, their dealership network sizes have remained large, leaving many of those brands with more points in many markets than their new-vehicle sales and units-in-operation levels are able to reasonably support.

By contrast, many luxury and import brands have smaller retail networks as they were established much later, in a more competitive environment. Their store counts are



thus more closely aligned with current sales volumes and vehicle populations. In some areas experiencing robust population growth, certain brands have capacity to add points without materially affecting the economics of existing dealerships. That's another competition-related factor that buyers evaluate when considering a deal.

Once buyers understand a market's competitive dynamics, attention shifts to store-level performance. A dealership consistently outperforming same-brand peers in a crowded market, surpassing the sales targets an automaker sets for it, represents a durable competitive advantage to some, while other potential buyers see risk around sustaining that performance. Conversely, a store failing to hit targets in an otherwise attractive market presents a desirable upside if a buyer sees a clear path to improving sales and profitability.

"An underperforming store isn't necessarily a problem; for many buyers, it can be the point of interest," Albertine said. "If a dealership is selling well below its potential in a solid market, that gap between where it is and where it could be is exactly what makes the opportunity compelling."

Beyond network structure and a store's competitiveness within that network, buyers consider other competitive dynamics in a market.

For instance, a store located on a dealership row or near a high-volume used-vehicle operator like CarMax may benefit from increased exposure and more cross-shopping and customer traffic.

"Proximity to a competitor like CarMax, which has made a name for itself in part by driving consumers to its stores for onsite appraisals, can benefit a neighboring franchised dealership with additional customer traffic," Albertine said.

"An overdealered market means each store is competing for a smaller slice of the same pie."

— George Karolis,
president of The Presidio Group

Key competition indicators

- Brand network size and density of points
- Dealership performance metrics vs. automaker sales expectations
- A brand's sales volume and units-in-operation level relative to store count
- Local operating norms

The Presidio Group

Source: Presidio Perspectives

Buyers also study the local competitive norms that affect dealership operations.

In certain locales, dealerships are closed on Sundays by law or custom. Some markets are dominated by retailers using limited-negotiation or no-haggle sales models, creating a certain expectation for consumers. Though they may not alter valuations, such factors influence operating costs, sales strategies and a potential buyer's expectations around a store's future performance.

A market's labor dynamics can vary as well, such as whether union representation is common in service departments or elsewhere in the dealership or whether compensation above industry norms is needed to attract and retain employees. The presence of a union shop, which can increase costs and pressure profits, is a significant barrier for many buyers, thus reducing acquisition demand and lowering valuations for the dealerships that have them. Presidio is aware of several large consolidators that won't consider buying stores with unions.

"These competitive rules of the road in each market can shape how buyers underwrite a business and plan for ownership," Karolis said.

In today's flight-to-quality environment in which dealership buyers are increasingly selective about the brands and markets representing the best investment opportunities, understanding local competitive dynamics is critical. Doing so helps buyers distinguish dealerships and markets with room for growth from those facing greater competitive pressures.

Bottom line: For dealership buyers, competition provides critical context around the quality, durability and upside of potential investment opportunities. While only one factor influencing valuation, competition indicators help buyers assess earnings sustainability, market risk and how aggressively they are willing to bid.

The Presidio Group

Dealership Transaction Highlights

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

Fletcher Jones Automotive Group Fremont, CA acquired by AutoNation	Toyota of Lincolnwood AutoCanada acquired by Serra Automotive	Mercedes-Benz Beverly Hills acquired by Fletcher Jones Automotive Group	Bill Seidle's Auto Group "Seidle Saves!" acquired by DMG Dream Motor Group
Umansky Automotive Group Livermore acquired by Lapis	Asbury Automotive Group Greenville acquired by RBM Automotive Group	Plaza Motors acquired by MileOne Autogroup	Five Star Automotive acquired by ALM
Land Rover Boerne, TX acquired by Sewell	Hendrick Honda Woodbridge acquired by Ourisman Est. 1921 Trusted Tradition	Stivers Subaru Decatur, GA acquired by Lithia Motors, Inc.	Mercedes-Benz Buckhead acquired by Group 1
Bill Brown Ford acquired by Penske Automotive	Group 1 Automotive Beaumont, TX acquired by Doggett Automotive Group	Suburban Collection Holdings acquired by Lithia Motors, Inc.	Park Place Dealerships acquired by Asbury Automotive Group

DRIVE-IN LIVE

Hosted by
The Presidio Group

What the Q2 Data Is *Really* Telling Dealers

A live breakdown of Q2 dealership performance and M&A trends.

From expert analysis by our research team to the most timely dealership performance data from NCM, The Presidio Group leads the conversation about "what's next?"

JASON STEIN
Managing Director
The Presidio Group

KEVIN TYNAN
Director of Research
The Presidio Group

IN 30 MINUTES, WE COVER:

- **What changed in Q2 dealership performance**
- **Insights into the latest Presidio Dealer Direction Survey**
- **The latest in the buy-sell market, including updated blue sky multiples**

THURSDAY, JULY 23
2:00PM ET
30 minutes Live Q&A

SCAN TO ACCESS LIVE OR REPLAY

The Presidio Group | ncm ASSOCIATES