Industry Conditions Are Still Highly Favorable

Profits at privately owned dealerships grew 6% for the first half of 2015 compared to the first half of 2014. Operating income at the public companies increased 15% during this period. The buy-sell market remains robust, although growth may begin to level off in 2015 from the rapid escalations of the past few years. Buyers continue to pay record prices for dealerships as demand is strong from public companies, private groups and investors new to our industry. Dealers and investors alike prefer the returns that they can get from dealerships compared to many other investment alternatives. And sellers are coming to the market in increasing numbers, attracted by these high prices. To this point, we may be seeing the beginning of the end in terms of the “seller’s market” that we have been in for the past few years. Buyers have more options today so they are being choosier than in the past.

Deal Activity Is Healthy, But Growth Is Slowing

The value of acquisitions in the US by public auto retailers is about equal in the first half of this year compared to the first half of 2014. And unless we see a number of acquisitions of large groups like we saw in late 2014, we would be surprised if 2015 matches the spike in deal value we saw for the full year 2014 when we had two transactions late in the year that totaled around $850M in spending. We appear to be entering a mid-cycle M&A market where the publics are acquiring dealerships valued at $750M-$1.0B per year. (Note: the acquisitions completed by Berkshire Hathaway Automotive are not included here since its results are not reported by its parent company.)

The total number of dealerships acquired by private dealers increased 17% in the first six months of 2015 compared to the same period in 2014, according to The Banks Report. This level of private acquisition activity indicates that the market is still growing, but at a much slower rate than we have seen recently. If the current pace continues, the number of private acquisitions would be up about 13% from 2014, compared to a lift of over 150% from 2013 to 2014. The number of dealerships acquired by public dealers (excluding BHA) was down about 20% in the first half of 2015 compared to the first half of 2014, although this decline represented just three fewer deals compared to last year. While the data is a bit mixed and it is early in the year, 2015 still remains the best market for buying and selling stores since the acquisition binge by the publics in the late 1990s.

\(^1\)The Banks Report: by Cliff Banks @ www.thebanksreport.com
Blue Sky Multiples Remain Strong for Most Franchises

We reported in our Year 2014 Haig Report that we had seen a big spike in the value of German luxury franchises and we continue to see buyers willing to pay high prices to acquire them. Mid-line brands like Honda, Toyota and Ford are also sought by most buyers, and some see them as bargains compared to the German luxury brands. Underperforming dealerships are still being valued strongly if buyers have confidence they will be able to fix them. Some buyers complain about the prices being asked by sellers, and some buyers are openly wondering if they are buying at the “top of the market,” but we see much more bullish than bearish behavior by most buyers. On the other hand, we continue to see a lack of appetite, and even an aversion, for some franchises like Nissan and VW.

Of course, actual multiples or prices paid by buyers for dealerships could be higher or lower than the ranges we indicate below. Each store is unique and brings its own set of opportunities and challenges. And geography matters a great deal. For instance, a Ford store in Texas is likely to bring a premium price compared to a Ford store in California. We caution readers not to view these values rigidly. The chart below sets forth our estimates for the typical range of values that buyers will pay for the goodwill / blue sky of various franchises today.

Haig Partners provides expert advice and comprehensive services to auto dealers interested in selling their businesses or buying new ones. Partners Alan Haig and Nate Klebacha have been involved in the purchase or sale of more than 220 dealerships totaling nearly $3.0 billion in value. With experience from AutoNation and Asbury, as well as prominent investment banks, Haig Partners is the leading full-service firm in our industry. In the past year, Haig Partners has helped six of its clients to sell their businesses for approximately $250 million, excluding the value of new vehicles.

Please visit our website at www.haigpartners.com for more information. We always enjoy hearing from dealers who are interested in buying or selling dealerships, or discussing the current state of the market.
Macroeconomic Indicators Remain Favorable for Auto Sales

There are a number of key factors that influence consumers who are considering purchasing a vehicle and almost all are moving in a positive direction:

- **GDP Growth is Healthy.** 60 Economists surveyed by the Wall Street Journal’s Economic Forecasting Survey project GDP will grow 3.1% and 3% in Q3 and Q4 respectively.

- **Employment and Wages Are Increasing.** Unemployment has fallen from 6.2% to 5.3% from July 2014 to July 2015. In addition, workers’ weekly earnings increased 2.4% over last year. And we see significant political pressure from various legislatures to increase wages for the middle class. While this may also have negative consequences (like higher wages at car dealerships), more jobs at higher wages are a good recipe for consumer confidence and auto purchases.

- **Interest Rates Remain Low.** The average cost for a five-year auto loan was 4.31% per Bankrate.com.

- **Number of Miles Driven Is Increasing.** The total number of miles driven, which heavily influences the vehicle replacement rate and is a key measure of demand for autos, increased 2.8% during the first half of 2015 compared to 2014, according the US Federal Highway Administration.

New Vehicle Sales Continue to Grow

The SAAR is 17.0 M units through July of this year, an increase of 3% from 2014. Analysts are bullish on the industry as they point to the increase in the number of miles driven, the high average age of vehicles, and the large amount of new products in the pipeline. Most industry experts believe we will surpass 17M units in 2015. The SAAR for the month of July was an encouraging 17.6M units. John Murphy of Bank of America Merrill Lynch is perhaps the most bullish on the industry as he estimates new vehicle sales will grow to 20 million units in 2018 before cycling down to 14M in the mid-2020s.

Supply of Used Cars Is Increasing

In 2015, the supply of used cars up to five years old is projected to increase 8% to almost 12M units, and the number of off-lease vehicles is projected to increase 20% to 2.35M units, according to NADA. The used car market will see continued growth in future years as new car sales were growing rapidly from 2009-2014. A higher supply should help boost dealer profits since, for many franchises, there is more profit in used cars than new cars.
Demand Continues to Shift to Larger, More Luxurious Vehicles

Sales of trucks, CUVs and SUVs grew 10.6% while sales of cars fell 1.8% through July 2015 compared to the same period ended July 2014. At FCA, trucks and SUVs represented 75% of sales. Meanwhile, sales of hybrids and electric vehicles are collapsing. We can’t imagine how the industry is going to meet the EPA requirements of over 54 MPG. We would expect OEMs with a product mix that is heavy in trucks, SUVs/CUVs and high horsepower sedans (such as the domestics, Toyota, and luxury brands) to gain market share at the expense of franchises that focus on high fuel efficiency (such as Volkswagen, Fiat and Smart).

Grosses May Be Sliding

Many retailers tell us one of their biggest challenges today is fighting an erosion of gross profit on the sales of new vehicles. This is due to many factors. The first half of 2015 saw a particularly large drop in profits per vehicle retailed of 4.6% for new and 4.7% for used, and the decline accelerated sharply from the drop we saw in the first quarter. This trend is highly worrisome since the market is also shifting towards luxury vehicles, trucks and SUVs that typically bring higher than average margins. We are not sure what will stop this decline in gross profits. Luxury dealers tell us that much of their growth in sales is in their newer, lower priced models that bring less margin. Ford dealers complain they don’t have enough of the new F-150s to offset the decline in margins in their cars. Midline import dealers say the pressure for volume from the OEMs is unrelenting and that is driving down margins.

Fixed Operations Are Still Climbing

Private dealers reported fixed operations increased 2.7% in the first five months of 2015 compared to same period in 2014. Public retailers did even better, averaging a whopping 9.4% growth in the first half of 2015 compared to the same period in 2014. As the number of units in operations continues to grow, we believe that increases in fixed operations will continue to boost profits per dealership even as new vehicle sales flatten out.
TRENDS IMPACTING AUTO RETAIL

F&I Departments Continue to Grow

The public retailers’ average F&I gross profit PVR reached an all-time high of $1,333 in the first half of 2015, up 5.1% from the first half of 2014. And since there is little expense against this revenue, much of the increase in the F&I department makes its way to the bottom line for the public retailers. While we rarely see private dealers deliver these kinds of figures per unit sold, we are seeing amazing results in the reinsurance companies that many dealers have set up.

![Public Company F&I Per Unit Retailed](chart)

Higher Profits for Private and Public Dealers

Private dealerships generated an average of $1.124M in pre-tax profit over the last twelve months. This was a record high level, and May 2015 was remarkably strong, up 6.2% from May 2014. Dealership profits have improved six years in a row and appear to be headed for a seventh year of increases.

![NADA Average Private Dealership Earnings](chart)

The table below shows the annual change in profits over the past 15 years. We are in a healthy mid-cycle period now, with annual profit growth averaging 7.5% over the past few years.

![NADA Average Private Dealership Earnings Y/Y Growth Rate](chart)
**TRENDS IMPACTING AUTO RETAIL**

The public retailers are enjoying even stronger growth in earnings than private dealers, with combined operating profit so far in 2015 up 15% over the first six months of 2014. However, this growth includes acquisitions as well as same store results.

![Public Company Y/Y Operating Earnings Growth - Q2 2015](chart.png)

Because of these strong profits, investors are placing high valuations on the public retailers. The average stock price for public retailers was approximately $71.40 per share on August 3rd 2015, almost at their highest level ever.

![Average Public Company Stock Price](chart.png)

**Are Domestic Stores the New Luxury Brands?**

FCA, Ford and GM are having astonishing success in selling consumers high priced trucks and SUVs. The humble work truck has evolved from a “three-on-a-tree” or bench seat to models that offer opulent interiors, high-end safety features, Wi-Fi, air suspension, and enough power to pull massive trailers up steep canyon roads. Plus, many domestic dealers know that truck buyers love accessories. Lift kits, chrome wheels, and other modifications can make a truck unique, which helps with the margin on the underlying vehicle, plus dealers earn the additional profit on the accessories. In many cases, these trucks are bringing the same front end gross profit as a BMW or Mercedes-Benz, and truck buyers are heavy users of F&I, so the back end is also strong compared to luxury brands. A few facts to consider:

- The average price for a full-sized pickup reached $43,501 in June, up 37% in the past decade (*Detroit News* 2/15/2015);
- 21%-30% of pickups sold by FCA, Ford and GM are priced at $50,000 and up; (*WSJ* 7-27-2015);
- The F-Series sells more units over $50,000 than any other brand, including Audi, BMW, Mercedes-Benz etc. (*Automotive News and Haig Partners*)

The following chart shows that the number of trucks sold for over $50,000 by the domestics compared to the number of vehicles sold by luxury brands over $50,000. Note that Ford sells more vehicles over $50,000 than any luxury auto maker.
TRENDS IMPACTING AUTO RETAIL

As we all know, demand for these vehicles is heavily driven by gas prices. If prices remain low then we would expect OEMs and retailers to be making particularly nice margins on these vehicles. But when gas prices spike, these vehicles could be abandoned by consumers and residual values can fall precipitously. For the foreseeable future, we congratulate our dealer friends who own these domestic franchises. They own “luxury” stores without having to pay the premium multiples to buy one, or deal with onerous facility requirements that the German OEMs often apply to their dealer.

Sales Growth for Individual Franchises

The following table sets forth the change in new unit sales at the major franchises through July 2015 compared to the period through July 2014. The premium luxury brands continue to far outpace the overall market, and we remain surprised why the domestics are not taking more share in this market that favors their product mix. Perhaps they are giving up share to grow profits, a choice we did not see from these brands in prior years.
Dealership Values Continue to Appreciate

We estimate that the average blue sky multiple for all franchises on an unweighted basis was 4.7x in Q2, changed little from the end of 2014, but up 8% from 2013. The average profit per dealership according to NADA has increased 3% for the twelve months ended May 2015 compared to the full year 2014. Applying the 4.7x blue sky multiple to the average dealership pre-tax profit through May of $1.128M generates an average blue sky value of $5.30M, up 2% from year end 2014, 18% from 2013, and up 34% from 2012. Also, many dealerships are substantially more profitable than the data reported to NADA that goes into the average pre-tax profit figures. Most of our clients’ stores are averaging $2M-$6M in profit per rooftop.

Even at these high valuations, dealership acquisitions provide attractive returns for buyers compared to other investment alternatives. The chart below shows a simple return-on-investment calculation for acquisitions (valued with a blue sky multiple at low, average and high levels, plus working capital and assets equal to 1.0x pre-tax profit) compared to other investment options. We assume 70% financing for the leveraged figures based on what we have heard from several leading lenders.

There Are More Dealerships on the Market for Sale

Buyers are telling us that they have seen a large uptick in the number and quality of dealerships available for purchase. Whereas in prior years it was a “seller’s market” and almost any store that came up for sale got strong interest, buyers are becoming increasingly choosy about which opportunities they pursue. Brand, location, facilities, and performance all need to be attractive in order for buyers to make strong offers.

We all know the laws of supply and demand. If the supply of dealerships increases, our economics professors would tell us that the price should fall, but we are not seeing this in our practice. Multiples are holding steady for most franchises. We think there are a couple of explanations for this. First, there are so many new buyers in the market that a seller can decline an offer and still have other potential buyers to speak to. Second, unless a dealer gets a strong price, he may opt to hang onto the store rather than sell, pay taxes, and reinvest in

Source: Bloomberg, Robert Schiller, MSCI, Haig Partners’ Estimates
a market that is offering lower returns than his current business. And finally, buyers are generating so much cash and remain bullish on the economy so they want growth, even if prices are high.

So we are basically seeing a shift in the supply curve and the demand curve. Our professors would predict that this would mean that the volume of transactions should increase when this occurs, and the data seems to be confirming this with the number of private transactions up 17% so far over this period last year.

Dealers who are considering selling their businesses should be aware that the balance of power has shifted somewhat. They need to make sure that their dealerships are positioned well, and they should be prepared to speak to a higher number of potential buyers than was required in the past.

**Private Equity and Family Offices Are Making Headway**

Private equity firms have been looking for investments in the US auto retail industry in recent years after they became aware of the attractive returns that dealerships can provide. While several firms have been able to purchase a handful of dealerships, RFJ Partners is the most successful, having acquired more than 24 dealerships in less than two years. In addition, RFJ has been approved by Honda and Toyota, the two toughest OEMs in this area. RFJ expects it will be a Top 10 dealership group in the next year or two.

There are numerous other investment firms that are working in auto retail. Haig Partners is representing a large family office (no outside investors, all funds come from a single family) that is currently negotiating the definitive agreements to acquire a mid-sized dealer group. We are also representing an investment firm that is looking to invest in a very large dealer group, one that would be worth many hundreds of millions or even billions of dollars. The presence of these investment firms is likely to support the demand for dealerships, although these firms are not “dumb money” that are going to overpay owners for their dealerships.

Private equity firms and family offices are similar in that they are not looking to buy stores and take over operations as traditional buyers do. They present a new option to owners of large dealership groups that are interested in taking some chips off the table at today’s strong valuations, but still want to continue to work and maybe even grow their company with outside funds. These investors would purchase 20%-90% of a dealer group and leave management intact, as they have no team to run dealerships. The retention of management is also critical for the approval of OEMs who will want to see continuity and experience at the helm.
We have been involved in the purchase and sale of over 220 dealerships in our careers dating back to 1996. In the past 12 months, we have been involved in representing buyers or sellers of Audi, Bentley, Cadillac, Chevrolet, Ferrari, Ford/Lincoln, Honda, Hyundai, Jaguar/Land Rover, Kia, Lexus, Maserati, Mazda, Mercedes-Benz, Nissan, Porsche, Subaru, Toyota and VW dealerships. Each quarter we contact many leading groups as well as accountants, bankers and lawyers who practice in auto retail. The information that we gain from these conversations and our own transactions is the basis for the following evaluations.

All of these groups confirm what we are seeing in our own practice, that buyers continue to pay very strong prices for dealerships today, particularly German luxury brands. However, we are not expecting multiples to increase further as they are already high compared to earlier periods, and buyers are beginning to have more reasons to say “no thank you” to acquisition opportunities. While multiples may have peaked overall, an increase in dealership profits could continue to drive higher values per dealership in the upcoming years.

Dealership Valuation Methods

Although there are various ways to value dealerships, we will refer to the traditional method of combining blue sky (calculated as a multiple of adjusted pre-tax profits), plus the value of other assets acquired. Pre-tax income should exclude non-recurring income or expenses and properly reflect the market value of any real estate owned by the seller and leased to the dealership.

The blue sky multiple ranges that we set forth in this report reflect our expectations of dealership values, and any upward or downward changes from the end of 2014. We remind the reader that each dealership transaction is unique and dealerships may trade above or below the ranges we describe in this report. Dealerships that are underperforming or are in highly desirable markets may have higher values, while dealerships that are in less desirable markets or that have significant real estate issues may bring lower multiples.

Luxury Franchise Blue Sky Multiples

**Mercedes-Benz.** M-B is much in demand thanks to its business model of high volume and high gross profits per vehicle. Sales are up a strong 8% so far in 2015 vs. 5% for the overall market as M-B continues to expand its model line. We are involved in the sale of two M-B stores and we have seen lots of interest. Same multiple range: 7.0x-10.0x.

**BMW.** BMW remains one of the most attractive brands for many buyers. Sales are up 6% so far in 2015. With 24% of BMW points owned by public retailers, these dealerships do not come to market very often so buyers bid strongly when given the opportunity. BMW has a facility image program that may hurt the values of stores that require a lot of capital to become compliant. Same multiple range: 7.0x-10.0x.

**Audi.** Another very desirable luxury franchise with sales up 12% so far in 2015. Audi has been leading all luxury automakers in sales growth for the past several years. While facility requirements are costly and add-points are hitting some markets, many dealers are shopping for Audi stores and some have traded recently for very high prices. We are currently involved in the sale of two Audi stores. Profits per store are catching up with M-B and BMW stores. Some dealers complain that the factory can be difficult, particularly on facilities. Higher multiple range: 7.0x-10.0x.

**Porsche.** Porsche has become as desirable M-B and BMW with dealers willing to pay high multiples for stores in attractive markets. (Stores in smaller markets have a hard time generating meaningful profits.) Sales are up 10% so far in 2015 and have more than doubled over the past four years. Per unit gross profits are still remarkably high. Buyers should expect facility investments to handle the growth, plus some add points in southern markets. Same multiple range: 7.0x-10.0x.

**Lexus.** Strongly rebounding with sales up an impressive 14% so far in 2015. Buyers are eager to see this franchise again after a few years where it lost market share to its German luxury competitors. Some dealers complain about low margins on new cars and that Lexus has adopted a Toyota sales philosophy. Very few of these dealerships traded hands in 2014, although we expect more will sell this year as dealerships are performing better and Lexus has relaxed its cap on multi-store ownership somewhat. Many of the original Lexus dealers are at retirement age and may want to use this window of opportunity to exit. Same multiple range: 6.5x-8.0x.
Jaguar-Land Rover.  JLR is up 15% so far in 2015 and dealers are well positioned as JLR is launching more SUVs at LR and as well as a low cost sedan and the first-ever SUV at Jaguar. These new models should help drive higher volume which is much needed at smaller JLR stores to help cover overhead. Many stores are enjoying gross profits of $10,000+ per Land Rover as supply continues to lag demand. There is a new image program, and JLR is adding dealers in some markets. Same multiple range: 6.0x-7.0x.

Cadillac/Acura/Infiniti.  Cadillac is the weakest performing luxury brand with sales down 2% so far in 2015.  New products are still on the horizon so we don’t see the picture improving much.  Acura sales are up a surprisingly strong 13%, but there remains little interest in this franchise from buyers in most markets.  Infiniti was up 10%, but again, little interest from buyers in most markets. Competition is increasingly fierce in the luxury segments as the Germans launch lower priced vehicles and the Koreans launch higher priced vehicles. These franchises have a hard time making over $1M in most markets, so large buyers tend to stay away. Same multiple range for this group: 3.0x-4.0x.

Mid-Line Import Franchise Blue Sky Multiples

Toyota-Scion.  Toyota is up 4% for the year, about equal to the overall market. Corporate profits are massive, promising good products in the future. New vehicle margins are not high, but the high volume of new unit sales combined with good F&I, large used vehicle volume and strong fixed operations combine to drop a lot of profit to the bottom line at the dealerships we have seen recently. Toyota is more weighted towards trucks and SUVs than its closest competitors so we expect dealers to gain share in this market. High profits per store attract lots of buyers. Same multiple range: 5.0x-6.0x.

Honda.  Honda’s sales should increase substantially over the next 28 months as it launches the new Pilot, Civic, Ridgeline pickup, Odyssey, CR-V, and Accord as well as the new HR-V (CUV).  The Car Wars Report predicts that the updated core products and new models, will make Honda the fastest growing major OEM over the next 3 years.1 Loyal customers and a balanced business model of strong variable and fixed operations mean that most dealers remain bullish on Honda dealerships and want more of them. Same multiple range: 5.0x-6.0x.

Subaru.  Subaru’s growth continues to amaze us, up 14% so far in 2015.  With a product line-up skewed towards CUVs, Subaru is perfectly positioned in this market and is now the 9th highest selling brand, having passed GMC and Dodge and just behind Kia. Fixed operations at dealerships are growing strongly as UIO counts are booming. More production is coming so we see more growth for some time, although add points are arriving in the South. Buyers may need to expand dealerships to handle the higher volume. Same multiple range: 4.0x-5.0x (pricing higher in the Snowbelt).

Kia.  Kia sales have grown 5% so far in 2015.  New car margins are decent and fixed ops should be growing.  Kia’s products seem fresher and better received than its Korean sibling, but still light on CUVs and no trucks. This franchise can provide a high ROI to buyers as the multiple is relatively low and real estate costs are less than most other brands. Lower multiple range: 3.25x-4.25x.

Hyundai.  Sales are up 2% so far in 2015, half the market average as its product mix is heavy with cars.  The company is shifting its supply of CUVs from other markets to increase availability and recently announced it will launch a light truck in the US.  Like Kia, this franchise can provide a high ROI to buyers as the multiple is relatively low and real estate costs are less than most other brands. Lower multiple range: 3.25x-4.25x.

Nissan.  Sales are up 5% so far in 2015, off the rapid pace of growth in recent years but still at an average level.  It appears that the Nissan franchise is becoming polarized.  Some Nissan dealers view the franchise as low profit and high hassle and they simply want out (or Nissan is trying to force them out).  But we are getting an increasing number of calls from dealers who are seeking Nissan franchises and we understand why after having recently seen some Nissan statements that are very impressive.  We are tempted to upgrade this franchise, but with the ongoing friction, lots of fleet sales, and rumors of over 100 add points planned in the US, we are maintaining our ranking for now. Same multiple range: 3.0x-4.0x.

Mazda.  Sales are flat this year and well below the industry average of 5%.  Mazda is underweighted in trucks and SUVs, although some Mazda dealers we speak with are happy with their franchises, and we have seen a couple of stores making $2M-$4M per year, much higher than we would have thought. Few buyers seek Mazda as a standalone acquisition, but like the returns they can get from them as a part of an acquisition. Same multiple range: 3.0x-4.0x.

**VW.** Sales woes continue at VW with volume down 2% in a market that is up 5%. VW is moving its product mix more towards CUVs, but it will likely be another tough year for dealers before VW rebounds. Perhaps 2015 will be the bottom for this franchise, so this might be a buying opportunity for this brand, although some buyers will not even sniff at a VW opportunity. Given the severe decline in sales over the past two years, many VW dealerships are nominally profitable (or losing money) so we don’t see them trading for a multiple of earnings, but rather for a flat dollar amount based upon their potential for future profits. Same value range: $500,000 - $3,000,000.

**MINI.** Sales have jumped 18% so far this year after a couple of years of imploding results. MINI is fighting low gas prices and a trend towards larger, more comfortable vehicles, but BMW NA CEO Ludwig Willisch has said that 2015 will be the best year ever for MINI thanks to new products. Since stand-alone MINI stores are marginally profitable, or even money losers, we value MINI stores as a range in dollars. Same value range: $500,000-$2,000,000.

**Volvo.** Sales were up 2% so far this year, so perhaps Volvo has hit bottom. The new XC90 may save this franchise and we have read good press on the car, but it is just one product and this franchise badly needs a volume car. Few stand-alone stores are likely to be profitable at this point if a fair rent is charged, so when they trade they are selling for a dollar value instead of a multiple of earnings. Same value range: $100,000 - $500,000.

**Domestic Franchise Blue Sky Multiples**

*(Note: The multiples paid for domestic franchises will likely be higher in markets like Texas where trucks sell well and lower in markets like California where imports dominate.)*

**Ford.** Ford sales are up 2% so far in 2015, although its volume in July was up 4% from last July as F-150 production is finally getting back to normal. Ford is loaded with trucks, SUVs and CUVs so we would think they should be entering a golden era of sales and profitability growth. Also, while Lincoln is criticized by many as a failed luxury brand, Ford is selling so many high-priced trucks that it could credibly say that its F Series is its own luxury franchise. We have been involved in the sales of three Ford dealerships recently. All were strongly profitable and got significant interest from buyers. Same multiple range: 4.0x-5.0x.

**Chevrolet.** Sales are up 3% in 2015, near the overall market and signaling that Chevrolet is recovering from the recall crisis. Chevy is boosting production of its light trucks, CUVs and SUVs that comprise a large portion of its sales and most of the new vehicle department profits for dealers. We would expect Chevy to take share in this market without resorting to heavy incentives. Fixed ops are also growing at dealerships. Corporate profits are strong which will help with future product development, marketing, etc. Higher multiple range: 3.5x-4.5x.

**FCA (Chrysler-Jeep-Dodge-Ram-Fiat).** Overall, FCA’s sales were up 6% so far in 2015, perhaps signaling a slowdown compared to the past several years when FCA was recovering from its bankruptcy. We read that 79% of FCA’s sales are truck/SUV/CUV models so it remains very dependent on low gas prices. Jeep is still one of the hottest major brands in the industry with sales up 21%. Jeep alone is outselling Buick/GMC, Hyundai, Kia, Subaru and Volkswagen. The other divisions are mixed, with Dodge and Fiat down, and Chrysler and RAM up. Profits per dealership are likely to be at all-time high levels. Same multiple range: 3.25-4.25x.

**Buick-GMC.** Sales are up 7%, more than the market, riding the boom in truck and SUV/CUV sales. GMC performed particularly well, and Yukons and Sierras are bringing strong grosses and higher volumes. Same multiple range: 3.0x-4.0x.
SUMMARY

We remain in a highly active period for dealership sales. Buyers are attracted by an improving economy and ample, low-cost credit. Plus, thanks to low yields in other sectors of our economy, auto retail is attracting significant interest from all kinds of buyers. One change we have seen recently is that the supply of dealerships for sale has increased as more dealers see 2015 as a good year to sell. To date, pricing has not changed much thanks to an increasing number of buyers in the market. Higher supply and higher demand should lead to another increase in the number of dealerships being sold compared to last year.

Given the strong demand and record profits per dealership, the current value for a typical dealership is at or near an all time high. As such, we don’t know of a better time to sell a dealership, and an increasing number of dealers who are near retirement age are taking advantage of these market conditions to exit the industry. But we are also seeing younger dealers offer their businesses for sale. In fact, the majority of our clients are only in their 40s and 50s. They see that the value of their businesses has grown so much over the past five years that they want to sell now to eliminate downside risk and lock in significant net worth for their families.

In this “win-win” period for dealership sales, with attractive returns for buyers and record pricing for sellers, we expect that the market of dealership acquisitions will continue to be highly active.

TRANSACTIONS

Sell-Side: We are currently representing dealers who are selling a wide variety of franchises, including Audi, Ferrari, Kia, Honda, Land-Rover, Lexus, Maserati, Mercedes-Benz, Porsche, Subaru and Volkswagen.

Buy-Side: We represent a family office that is negotiating the purchase of a mid-sized dealer group, and a large investment firm that is seeking to make investments of $200M to several billion dollars in a dealership group.

Few, if any, other firms have a better understanding of the perspectives of both buyers and sellers of dealerships, and we use this perspective to negotiate highly desirable outcomes for our clients.
To each of our clients, thank you and congratulations.

$250,000,000 in dealership sales proceeds are reasons to celebrate.

In the past year, Haig Partners has guided some of America’s most successful dealers through the sale process, securing approximately $250 million for their businesses, excluding the value of new vehicles.

We work hard to provide the expertise you expect from an industry leader. With each transaction, our principals bring unmatched experience to the table, including more than 150 dealership buy-sells generating more than $3 billion.

**We help create the value our clients deserve for their lives’ work.**
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And the 22nd Annual CEO/CFO Forum – 3.31.2016

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