HAIG PARTNERS

Haig Partners provides expert advice and comprehensive services to auto dealers interested in selling their businesses or buying new ones. We have been involved in the purchase or sale of more than 230 dealerships totaling nearly $\$ 3.0$ billion in value, more than any other team in the industry. With experience from AutoNation and Asbury, as well as prominent investment banks, we have the skills and experience necessary to be the leading full-service firm in our industry. Haig Partners is currently engaged on eight transactions in which we are advising the seller. These transactions range in value from $\$ 15 \mathrm{M}$ to over $\$ 60 \mathrm{M}$.

Please visit our website at www.haigpartners.com for more information. We always enjoy hearing from dealers that are interested in buying or selling dealerships, or the current state of the market.

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## OVERVIEW

The Great Old Days? This may be the best time ever to be an auto retailer. Dealership profits have reached another record high and economic conditions indicate that good times will continue for the foreseeable future. These factors are supporting a strong and growing buy-sell market. If the deal activity in the first half of the year continues, we are likely to see one of the most active years for acquisitions in over a decade.

Buy-Sell Activity Is Growing Strongly. The number of private acquisitions announced in the first six months of 2014, as reported by The Banks Report, increased $80 \%$ compared to the same period in 2013. Automotive News reported a $119 \%$ increase during this period, which indicates that 2014 is on track to be the most active year for buy-sells for private buyers since it began tracking the market in 2010.


As shown by the following table, the value of acquisitions in the US by public auto retailers rose $64 \%$ from $\$ 186 \mathrm{M}$ in the first six months of 2013 to $\$ 306 \mathrm{M}$ in the first six months of 2014 . Unlike last year, there has been little international acquisition activity by the public companies. If the current pace continues for the rest of 2014, and Lithia's acquisition of DCH closes on schedule in the fourth quarter, we project approximately $\$ 1 \mathrm{~B}$ in acquisitions by public companies in the US, which would make 2014 the most active year for buy-sells in over a decade.

The Blue Sky Report - Mid-Year 2014
Public Company Acquisition Spending
Domestic and International


Although the year is only half over, we are seeing a big disparity in the level of activity by the public companies. Group 1, Penske and Lithia are leading the pack, as shown in the chart at right, although the other firms are also pursuing transactions based on their public statements and our interactions with them. Several large acquisitions by the publics were announced in July and will
 show up in the Q3 numbers.

Haig Partners Blue Sky Multiples. The chart below sets forth our estimates for the typical range of multiples of adjusted pre-tax earnings that buyers will pay for the goodwill / blue sky of various franchises in 2014. Blue sky multiples appear to be stable from the end of 2013, with the exception of an increase for Land Rover and a decrease for VW. Of course, actual multiples paid by buyers could vary from these ranges. Each store is unique and brings its own set of opportunities and challenges. We caution readers not to view these multiples rigidly.

Haig Partners Blue Sky Multiples


## TRENDS IMPACTING AUTO RETAIL

New Vehicle Sales Continue to Grow. The seasonally adjusted sales rate (SAAR) reached 16.9M units for the month of June, the highest rate since 2005, bringing actual sales to 16.0 M units over the last twelve months (LTM) through July. We have returned to the 16 M unit rate that we enjoyed before the Great Recession, and many believe we will be reaching 17M units soon.

Despite the opening of a number of add-points, the increase in the SAAR has lifted average dealership sales to alltime high levels. Sales per dealership have increased by $2.2 \%$ on a LTM basis through July compared to year end 2013. If this trend continues, total sales per location for 2014 could be up over $4.3 \%$ compared to 2013.


Source: Automotive News, JP Morgan (estimates)

Fixed Operations Growing Strongly. Thanks to the last few years of increasing new car sales, dealers are reporting strong growth in their fixed operations. Private dealers reported fixed operations increased 6\% in 2014 compared to the same period in 2013. Public retailers matched the privates, averaging $6.1 \%$ growth in 2014 compared to the same period in 2013. Some are predicting that increases in fixed operations will continue to boost profits per dealership even if new vehicle sales flatten out. This can occur as the parts and service businesses are higher margin and lag changes in new vehicles sales by a couple of years.

Yearly Fixed Operations Growth


[^0]The Blue Sky Report - Mid-Year 2014
Strong Profits Continue for Private and Public Dealers. Private dealerships generated an average of \$954K in pretax profit for the LTM ended May 2014. This is a record high level, up 13.1\% from 2012 and up 7.4\% year over year ended May 2013.


While the profits at private dealerships are still growing, the growth has flattened. The industry has returned to what many would expect mid-cycle: low-to-mid single digit growth rates in profits.


Most of the public retailers also had a strong start to the year, with combined operating profit up 14.3\% over the first half of 2013. This growth includes acquisitions as well as same store results. Key reasons for the increase were higher new and used car sales, healthy bumps in F\&I income and favorable interest rates.


Sales Growth Year to Date for Individual Franchises. The following table sets forth the new unit sales performance of franchises on a LTM basis through July 2014 compared to the same period last year. We are impressed by Subaru and dismayed for our VW dealer friends who live at the two ends of this spectrum (other than MINI which lost its highest selling model in the first four months due to a model changeover). We are also surprised to see brands like Honda and Ford showing essentially no growth during this time. Although dealer profits in these franchises remain robust, the stall in sales may be due to key model changeovers.


Dealership Values Are Reaching New Heights. We estimate that the average blue sky multiple for all franchises on an unweighted basis was $4.3 x$ at the end of Q2 2014, little changed from year end 2013. Applying this multiple to the average dealership pre-tax profit of $\$ 954 \mathrm{~K}$ on a LTM basis through May 2014, we estimate that the average dealership had a blue sky value of $\$ 4.1 \mathrm{M}$, up $11.9 \%$ from the average blue sky value as of LTM May 2013, and up 2.6\% from year end 2013. See our 2013 Year End Blue Sky Report for details on how we calculate these values.


At this level, the average dealership acquisition still provides an attractive return for buyers compared to other investment alternatives. The chart below shows a simple return-on-investment calculation for an acquisition with an average blue sky multiple of $4.3 x$ as well as a premium multiple of $7.5 x$ (including working capital and assets equal to $1.5 x$ pre-tax profit) compared to other investment opportunities. Given the current low yield environment, dealership acquisitions are compelling.


[^1]Blue sky values are high for a number of reasons:

- Buyers are confident about the economic outlook;
- Buyers have large amounts of cash thanks to the strong performance of their existing dealerships;
- There are currently more buyers than sellers in the market;
- Lenders are offering high loan-to-value financing at low interest rates; and
- Dealership acquisitions appear to offer better returns, even at high prices, than alternative investments in treasury bills, corporate bonds, real estate and the stock market.

It has been a "seller's market" for the past couple of years and we expect to see blue sky values remain strong throughout 2014 as demand for dealerships continues to exceed supply. Buyers have become accustomed to higher multiples over the past couple of years. They appear willing (albeit grudgingly) to continue paying strong prices for dealerships since they may be the best investment option in this low yield environment.

Investors are also placing high valuations on the public retailers. The average stock price for public retailers exceeded $\$ 60$ per share in July, the highest level since the companies went public. Investors are bullish on dealerships and support public retailers acquiring more of them.


## RECENT EVENTS

General Motors Recalls and Their Impact on Franchise Value. We were curious about the impact of the recalls on the attitude of dealers, customers, investors and dealership buyers towards the brand. Dealers had the following comments:

- "Customers believe that quality has improved a lot over the past few years. They don't really associate those recalled cars with the ones on the showroom floor today."
- "Almost every factory has recalled loads of cars. The consumer just tunes it all out now."
- "If my customers were really scared they would be lined up in my service drive, but they're not."

The sales data during the recall crisis supports this perspective:

- Unit sales are up 3.4\% YTD through July 2014 compared to July 2013 vs. 5\% for the industry;
- Market share has held relatively flat; and
- Average transaction values are at record high levels, up \$2,700 per unit so far in 2014.

From an investor's point of view, GM's stock performance has been in the middle of the pack, so investors do not see these recalls as a major issue for the future of GM or its dealers.

OEM Stock Prices


This recall situation reminds us of 2011 when Toyota suffered from the accelerator pedal recall, the tsunami and a flood in Thailand. Those events contributed to bad press and a shortage of vehicles for Toyota dealers, but they performed well. GM dealers have a different set of challenges, but they may be able to turn the situation to their advantage by generating extra service revenue and selling these owners new cars or newer used cars. So while GM will spend billions, dealers may end up making higher profits. Most dealership buyers we speak to see the recall as unfortunate, but it does not impact their opinion of the value of GM dealerships. The chart below shows that, contrary to most expectations, far more GM franchises were acquired than any other brand so far in 2014.

# Private Transactions by Brand-OEM 

July 2014 vs. July 2013


Source: The Banks Report
Lithia Acquisition of DCH. We tip our hat to Brian DeBoer who is CEO of the smallest public auto retailer, but has made the biggest acquisition and has the best stock price performance over several of the past years. The market reacted very favorably to the news of the acquisition of DCH, as LAD's stock is up about $19 \%$ since the announcement. The transaction confirms a prediction we made in our Year End 2013 Blue Sky Report that we would see more sales of large dealership groups. To our knowledge, this would be the largest acquisition ever in auto retail. A transaction of this size confirms that buyers are interested in large acquisitions, that lenders are ready to back them, and that sellers, no matter how large, are finding strong offers when they go to market.

Threat From Tesla to Auto Retailers is Growing. Much has been written over the emergence of Tesla. Rather than shutting down Tesla-owned dealerships as violations of state franchise laws, most states seem to be avoiding confrontations with the well-funded adversary by allowing a few locations per state. We are concerned about this acceptance of Tesla as a retailer as we remember the adage about what happens when the camel gets his nose inside the tent. Next comes a hoof, then the head, then the whole beast is inside and it's impossible to get it out
again. We see this happening with Tesla and encourage dealers to fight back now rather than wait. Tesla customers, who are also voters, will eventually push for more dealerships in each state, further increasing competition to existing dealers.

And Tesla sales will increase, perhaps dramatically. Tesla just announced plans to increase production to 100,000 units by the end of 2015 , up from 35,000 in 2014. It plans to build battery factories that will allow it to produce up to 500,000 vehicles per year. Some of this production will go to China and Europe, but a significant portion will stay here. And Tesla is not just targeting luxury brands. Its future products include the Model 3 that it claims will be priced at $\$ 30,000$, squarely in the mid-market. Elon Musk has grand ambitions and does not plan on remaining a niche player. Tesla already outsells Bentley, Jaguar, Maserati, and Smart. Soon, it may outstrip Fiat, Land Rover, MINI, Porsche and Volvo.

Investors and stock analysts are bullish on Tesla's future in our industry. Here is what Adam Jonas, who heads Morgan Stanley's global auto research team, had to say about Tesla on August 1, 2014: "The reason why we say they're the most important car company in the world is because ... the entire automobile is being reinvented by technology. And the role of software, we think is going from around 10 percent to 50 or 60 percent of the value of the vehicle when we're kind of reaching full autonomy by [the] middle or latter part of [the] next decade, and Tesla's really uniquely positioned. So, it's not just EVs but also battery storage, stationary storage and cars that think for themselves and make decisions, artificial intelligence, machine learning. It's on a completely different level than any other car company."

The level of investor excitement for Tesla is stunning. The chart below shows the equity value of a number of automakers. Note how the value of Tesla is nearly equal to Kia and Fiat Chrysler combined even though those manufacturers build 5.15 million vehicles per year compared to the 35,000 for Tesla.

## World's Largest Automotive OEMs by Market Capitalization



Since we are supporters of the franchise system that is working so well for all of us, we encourage our dealer friends, particularly those who own luxury stores, to lobby heavily to enforce the state laws that protect local dealers from factory owned dealerships. Customers will want to own Teslas, so maybe the best course of action would be to try to compel Tesla to award franchises to entrepreneurs just as all the other OEMs have done. If you can't beat 'em, join 'em. And why should Tesla get to play by different rules?

## BUY SELL TRENDS

Private Dealers Are Very Active. The number of private dealership transactions increased 75\% YTD July 2014 compared to YTD July 2013, according to The Banks Report. Dealers of all sizes contact us looking for dealerships to buy. Some are searching for stores of a certain franchise ("I will buy a Mercedes store in any city"), while others are looking for large groups to acquire ("We want to do a $\$ 100 \mathrm{M}+$ deal").

Public Companies Are Vocal About Their Desire to Grow. With stock prices near all-time highs, CEOs of the public retailers want to invest more of their capital in acquisitions. Sonic is back in the game looking for acquisitions after spending much of the past few years focused on divesting dealerships and buying the real estate underlying its stores. We project the level of acquisitions by public groups may reach \$1B in 2014, a level not seen since 2004.

Sales of Lexus Stores Should Increase. The recent news that Lexus lifted its cap of dealerships owned by a dealer group from six rooftops to eight rooftops should drive additional buy-sell activity. Lexus was the most restrictive of all of the OEMs and this limit artificially suppressed demand for these franchises as some groups had no ability to buy more stores, while other large groups were seeking the "perfect" Lexus store to acquire as they could only buy one more. This increase is important to the largest groups that were at or near their cap, and also the owners of mid-sized Lexus stores who will likely be getting a lot more attention than they have in recent years.

The Market is Ripe for Sales of Large Dealership Groups. Numerous buyers have told us they would like to make acquisitions of $\$ 100 \mathrm{M}$ or more, and several buyers are looking to invest $\$ 500 \mathrm{M}$ or more, if they can find willing sellers. Lenders have told us they want to finance large transactions given the strong cash flows of both buyers and sellers. Finally, we also see a number of large dealer groups that are owned by individuals who do not appear to have succession plans. We expect owners of a number of these large groups, like DCH, to understand that market conditions are ripe for them: high earnings and high multiples mean that their dealership groups may be at all-time high values.

Many Franchises Are in Demand. We researched the published buy-sell activity of the Top 10 Dealer Groups, which include Van Tuyl, Hendrick, Staluppi, Larry Miller, AutoNation, Penske, Group 1, Sonic, Asbury and Lithia. These groups have acquired 141 franchises since 2010 according to public records. Note that these groups acquired 19 different franchises in 2013 and 14 different franchises so far in 2014, so there is broad interest in different franchises. Some dealers are interested in what the Top 10 Groups are buying as they could be portrayed as the "smart money" in our industry.

## 2012-2014 US Acquisitions by Franchise Top 10 Groups



The Blue Sky Report - Mid-Year 2014
We thought it would be interesting to compare the franchises favored by the Top 10 Groups to those being acquired by private dealers. The following table shows the percentage of franchises acquired by private dealers since 2013 compared to the Top 10 Groups. Note that private buyers are more active with GM, CJDR, Nissan and Ford. Public buyers are more active with Honda, Hyundai, Toyota, Kia, VW, Volvo and BMW.

18 Months of Private vs. Top 10 Acquisitions by Market Segment


## FRANCHISE VALUATION RANGES:

We have been involved in the purchase and sale of over 230 dealerships in our careers. Also, each quarter we contact many leading groups as well as accountants and lawyers who practice in auto retail, and a few OEMs. The information we gather supports our assessments of how the market values specific franchises.

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 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 for each franchise described, and if we believe the multiple has increased or decreased from the end of 2013. 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 much higher values than our ranges, while dealerships that are in less desirable markets or that have significant real estate issues may bring lower multiples than our ranges.

## Luxury Franchise Blue Sky Multiples

Mercedes-Benz. Numerous leading buyers have told us that MB is the most desirable brand today given their desirable products, healthy margins, and strong management. Sales were up $8 \%$ through July 2014 over the same period in 2013. MB stores in metro markets are generating big profits, some over \$10M per year. The main complaint we hear is that MB is already thinking about requiring dealers to make changes to their newly minted Autohaus exteriors. Same multiple range: $5.5 \mathrm{x}-7.5 \mathrm{x}$.

BMW. Still very much in demand with sales up $12 \%$, although we hear some of the growth is due to punching cars into loaner cars or used car departments. Lots of new products should attract additional customers. BMW has a costly facility upgrade plan, but buyers do not seem deterred given the attractive business model at BMW and how few stores come onto the market each year. Same multiple range: 5.0x-7.0x.

Lexus. Strongly rebounding with sales up an impressive $17 \%$. Still the most beloved supplier in the industry, and the brand is working hard to attract younger customers. Although Lexus has launched an image program for its facilities, upgrade costs should be less than at BMW or Audi. The recent news that Lexus was allowing groups to own a maximum of eight rooftops, up from the current limit of six, should spur more Lexus buy-sells than we have seen in recent years. Same multiple range: 6.0x-7.0x.

Audi. Another very desirable luxury franchise with sales up a healthy $13 \%$. While facility requirements have been costly and add-points are hitting some markets, many dealers would love to add Audi to their mix. Profits per store are still lower than at MB, BMW and Lexus, but this may change as Audi projects its sales will increase by 20\% in 2014. Same multiple range: 6.0x-7.0x.

Porsche. Sales are up $8 \%$ over 2013 and have doubled over the past four years. While sales per store are still lower than the major luxury brands, very high profits per vehicle help to bridge this gap and dealerships in metro areas are generating attractive profits. The new Macan is selling strongly and will bring new customers to the brand, just as Porsche intended. Facility upgrades required to handle the additional volume may offset these gains. Same multiple range: 6.0x-7.0x.

Land Rover. Land Rover sales are up an impressive $14 \%$ in 2014, but still falling short of demand. As a result, gross profits are reaching $\$ 15,000+$ per unit in some stores, levels normally seen for Aston Martins, Bentleys and Rolls Royces. Jaguar is usually a plus. In metro markets these dealerships can generate several million dollars per store in profit, with a few making over \$10M per year. Higher multiple range: 5.0x-6.0x.

Cadillac/Acura/Infiniti. Cadillac is the weakest performing luxury brand with sales down $2 \%$. The new Escalade will help as we hear a number of stores have already sold out their initial allocation. Cadillac announced it hired Johan De Nysschen away from Infiniti where he headed Infiniti worldwide for two years after serving as head of Audi's US operations. Acura sales were up $1 \%$ and dealers complain that it remains the red-headed stepchild to Honda. Infiniti was up $15 \%$ so far in 2014 and we might have been tempted to upgrade it, but Mr. Nysschen's departure is giving us pause. Same multiple range for this group: 3.0x-4.0x.

## Mid-Line Import Franchise Blue Sky Multiples

Toyota-Scion. Toyota is up 5\% for the year, the same as the overall market. Dealership and corporate profits are very strong, so Toyota appears to be well poised to compete in the future. High sales and profits per store attract many, many buyers. Same multiple range: 5.0x-6.0x.

Honda. Sales are down $1 \%$ so far this year, so Honda has lost some market share. This slow start may be partly due to the delayed launch of the 2015 Fit. But dealers remain happy with Honda, and buyers view them much like Toyota. Same multiple range: 5.0x-6.0x.

Hyundai. Lost some market share with sales up $1 \%$ so far for the year. The brand recently won a JD Power quality award, beating even Toyota, and is now the "greenest" auto maker, taking Honda's crown in that department. But without more capacity, we wonder what their plans are for growth. And we are hoping fixed ops pick up at some point. Same multiple range: $3.5 x-4.5 x$.

Kia. Volume has picked up 7\% in 2014, reversing a tough 2013 when it lost share. Buyers view Kia like Hyundai with very similar business models. Same multiple range: $3.5 \mathrm{x}-4.5 \mathrm{x}$.

Subaru. Continues its stealthy attack on mid-line import brands with sales growing $18 \%$ year over year. Subaru now has $35 \%$ higher sales than VW, which was the higher selling brand at this time last year. We continue to be amazed at this brand's performance, but its concentration in the hottest segment of the market, CUVs, surely helps. Same multiple range: $3.5 x-4.5 x$ (with higher pricing likely in Snow-Belt states).

MINI. Sales are down a surprising 22\% so far in 2014, perhaps due to the loss of its highest volume model in the first four months of the year from a changeover. To our knowledge, no MINI store has sold apart from their BMW parent, but we expect this will begin to happen. Our research with leading buyers yielded a wide range of appetites. Estimated multiple range: $3.5 x-4.5 x$.

Nissan. An impressive half of the year with sales up $13 \%$. Nissan has almost reached Honda in sales volume, which is remarkable given how far behind they were just a few years ago. Although their products are in demand by
consumers, dealers remain lukewarm about this franchise as store profitability has been low, and Nissan can be very tough on dealers, threatening many with terminations. We hear frequently about how Nissan's stairstep incentive programs are killing margins. Same multiple range: 3.0x-4.0x.

VW. Sales are down a dismal 14\% so far in 2014. VW does not contend in several key segments like crossovers and full sized trucks/SUVs. And the additional dealerships added around the country in anticipation of high sales further hurt dealer profits in those markets. Many dealers are disillusioned and will not consider the brand at all, but others are buying opportunistically. Lower multiple range: $2.75 \mathrm{x}-3.75 \mathrm{x}$.

Mazda. Sales were up a strong $8 \%$ as new products attracted buyers. Can work as a tuck in acquisition, but low profits per store and tough competitors dampen demand for this franchise. Same multiple range: $2.5 x-3.5 x$.

## 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 down $1 \%$ for the year after a very strong 2013. This may be due to the changeover to their new $\mathrm{F}-150$. If Ford's bet on aluminum pays off, sales should accelerate nicely in the second half of the year. Many buyers are looking for Ford stores which have enjoyed soaring profits. Same multiple range: 4.0x-5.0x.

FCA (Chrysler-Jeep-Dodge-Ram-Fiat). Overall, the group's sales are up a strong $12 \%$ so far in 2014. Jeep is the hottest brand in the industry with sales up $44 \%$ so far in 2014 and Jeep alone is outselling Kia, VW, and Subaru. Jeep's entire portfolio sits in CUVs and SUVs, the fastest growing segments in the industry. The other FCA divisions are mixed, with Chrysler and Dodge down, but Ram and Fiat up. Profits per dealership are likely to be at an all-time high. Same multiple range: 3.25-4.25x.

Chevrolet. Sales were up 2\% so far, underperforming the market, but better than many would have thought in the current recall crisis. Customers are paying up for the newly launched Silverado, Suburban and Tahoe models that comprise a large portion of Chevrolet sales. Fixed ops should benefit from the newly announced recalls, and GM is countering negative publicity with higher incentives, so dealers may actually benefit as Toyota and Lexus dealers did during their recalls in 2011-2012. Same multiple range: 3.0x-4.0x.

Buick-GMC. Sales are up 9\%, almost double the market, and surprisingly strong given the recall crisis. Buick performed particularly well and dealers are looking forward, ramping up inventories of the new Sierras and Yukons. Same multiple range: 3.0x-3.75x.

Haig Partners Blue Sky Multiples


## SUMMARY

Thanks to a healthy auto retail industry and a favorable economic outlook, the market for dealership sales is robust and growing. Dealership values are at the highest level ever and, the pace of acquisitions is accelerating and the Lithia deal is proof that very large deals are possible in this environment.

Buyers remain bullish on the future of auto retail and are seeking acquisitions of all sizes to boost their growth. Their returns on acquisitions are likely to exceed other investment opportunities during this low yield environment.

For sellers, the average dealership value is at an all-time high. And since almost every franchise is in demand today, dealers who wish to sell their businesses are highly likely to receive attractive offers. We do not know of a more attractive time to monetize dealerships.

In this "win-win" period for dealership sales, with strong returns for buyers and strong pricing for sellers, we expect that the pace of dealership acquisitions will remain strong throughout the year and exceed the number and value of transactions that closed last year.

Haig Partners is seeing these strong conditions in our current engagements. We are representing eight dealers who own a wide variety of franchises, including Chevrolet, Ferrari, Ford, Honda, Mercedes-Benz and Toyota. Four of these clients have accepted offers that were at or above the multiples set forth here. We are in the marketing phase for the other clients who are selling their dealerships, and we expect offers for these dealerships to also be strong. These transactions range in value from $\$ 15 \mathrm{M}$ to over $\$ 60 \mathrm{M}$.

## HAIG PARTNERS: PROVIDING VALUE TO CLIENTS

We combine the skills gained during our years in investment banking with the experience of buying and selling dealerships for AutoNation and Asbury. Haig Partners is not a traditional dealership brokerage service. We do not seek "listings" of many dealerships. Instead, we provide the best possible advice and service to a limited number of clients, helping optimize the sale of their most valuable asset. We spend a tremendous amount of time and energy on each engagement. Emphasizing quality over quantity best serves our clients' interests.

Clients engage us to help sell their businesses for a number of reasons.
Relationships with Buyers. We know many of the leading buyers across the US and understand what they want to acquire, what their ability is to close, and how they negotiate. By targeting specific buyers instead of running ads, we preserve confidentiality and close transactions more efficiently.

Higher Prices. We create offering materials that provide buyers with a compelling investment thesis about why they should acquire our client's business instead of the other opportunities. We then run a process that solicits the best possible price and other deal terms from buyers.

Experience. Since we have been involved in more than 150 transactions with nearly $\$ 3.0$ billion in value, we know how to respond to the inevitable issues that arise in a buy-sell process.

Speed. We focus on the buy-sell process every day, allowing owners to focus on dealership operations.
Of course, all buy-sell advisors say they are experienced and effective. We encourage any dealer who is considering hiring a firm to ask a few simple questions of the person he or she is talking to:

1. How many dealership sales have you, personally (and not your firm) closed in your career?
2. Can I speak to your last five clients to hear about how you added value?
3. Why should I choose you over another advisor?

We enjoy answering these kinds of questions. We believe we offer unmatched experience in our industry and can connect you with our former clients for references.

## THE TEAM

We work as a team on every transaction. Alan spends the majority of his time interacting with clients and buyers, and Nate focuses on financial analysis, the offering materials, and due diligence inquiries. We believe that our complimentary skill sets help us to generate the best possible transaction terms for our clients.

Alan Haig. For six years prior to Haig Partners, Alan led the auto retail practice at The Presidio Group where he closed numerous transactions, including two that he believes achieved record high levels of goodwill for the franchises involved. Before that, he was Senior Vice President of Corporate Development at AutoNation, Inc., the world's largest auto retailer. Alan was responsible for all dealership acquisitions and divestitures at AutoNation and served on its Executive Committee that oversaw operations, real estate and strategic initiatives. He was also at AutoNation in its earliest days and wrote the original business plan for the new car division and then began leading dealership acquisitions. Through these positions, Alan has been involved in the purchase or sale of more than 170 dealerships with a value of approximately $\$ 2.2$ billion. Prior to AutoNation, he served in the Corporate Development Department of Blockbuster Entertainment and as Managing Director for Caymus Partners, a boutique investment banking firm. Alan began his career in investment banking where he served as an analyst and associate for Drexel Burnham Lambert in New York City. In his career, Alan has closed more than 100 transactions with a value over $\$ 5.5$ billion.

Alan is a nationally recognized expert in the auto retail industry. For six years he has been writing a report that tracks trends in the industry and explains how they impact buy-sell activity and dealership valuations. In the past year, Alan has also been a speaker at the AutoTeam America Buy-Sell Summit, American Institute of CPAs, and National Association of Dealer Counsel. He is frequently quoted by media outlets, including Automotive News, The Wall Street Journal, and Bloomberg.

Alan has an MBA from Columbia Business School, an MA from the University of North Carolina at Chapel Hill and a BA from Dartmouth College. He lives in Ft. Lauderdale, FL with his wife and their four children.

Nate Klebacha. Before joining Haig Partners, Nate served as Vice President and then Principal at The Presidio Group where he was responsible for dealership analysis, preparation of marketing materials, responding to due diligence requests from buyers and assisting in closing transactions. Prior to Presidio, Nate spent six years with Asbury Automotive where he was involved in the purchase or sale of more than 50 dealerships for more than \$500M. Before Asbury, Nate held positions at O’Shaughnessy Capital Management and Bear Stearns Asset Management as assistant portfolio manager.

Nate has an MBA from the NYU Stern School of Business and a BS from the University of Connecticut. He lives in Cold Spring Harbor, NY with his wife and their two children.

## TRANSACTIONS

Current Transactions. Haig Partners is engaged on eight new transactions that are in various stages between marketing and closing. These transactions range in value between $\$ 15 \mathrm{M}$ to over $\$ 60 \mathrm{M}$.

Recently Closed Transactions. Alan Haig and Nate Klebacha have closed eight transactions across the US valued at over $\$ 400 \mathrm{M}$, as shown in the tombstones below.*


For more information please visit our website: www.haigpartners.com

Note: Although we believe we have compiled this information from reliable sources, we do not guarantee the information or make any representation about its accuracy.

IN THIS ISSUE OF THE BLUE SKY REPORT:
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GM Recall Effects on Franchise Value
Threat from Tesla
Blue Sky Multiples Update

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[^0]:    Source: NADA

[^1]:    Source: Bloomberg, Robert Schiller, MSCI, Haig Partners' Estimates

