THE HAIG REPORT®

TRENDS IN AUTO RETAIL AND THE IMPACT THEY HAVE ON DEALERSHIP VALUES

THIRD QUARTER – 2015

HAIG PARTNERS

OVERVIEW

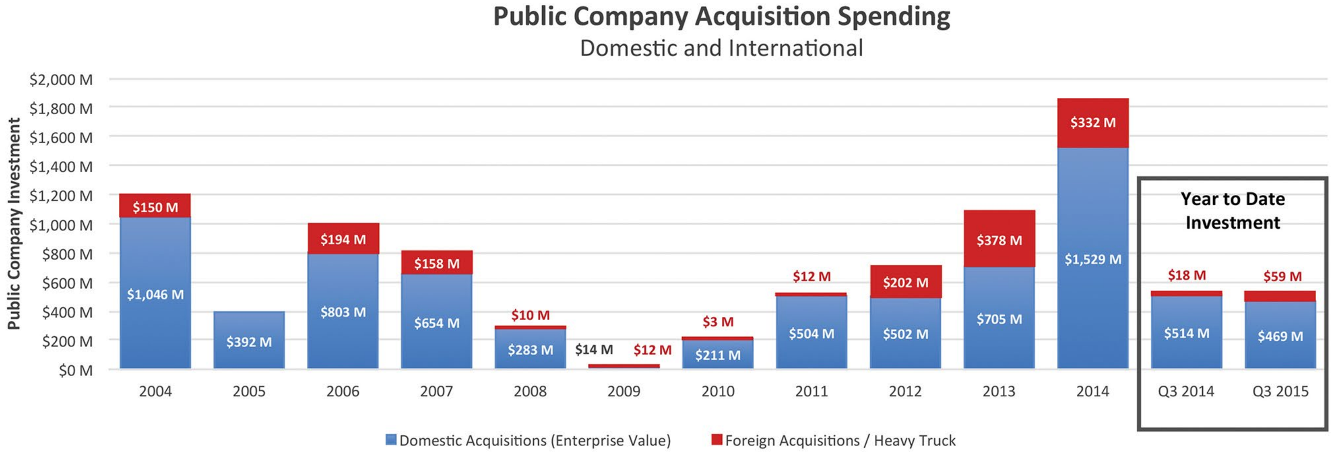
IN THIS ISSUE:

These Are the "Great" Old Days

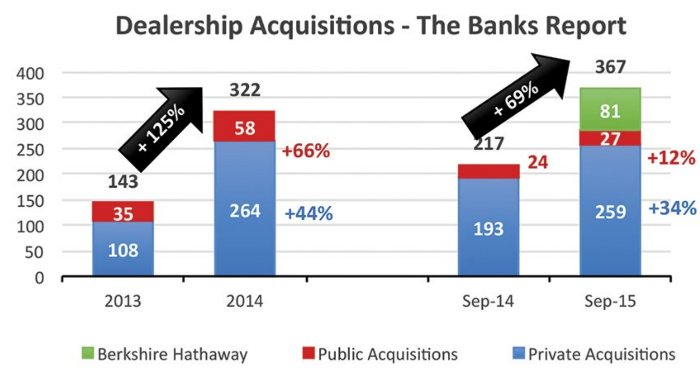
Life for auto dealers continues on its lucrative path. Privately owned dealerships increased their profits by a remarkable 8% for the first eight months of 2015 compared to the same period in 2014. Operating income at the public companies increased even more, up 15.1% in the first nine months of the year, although this figure includes growth from acquisitions. The buy-sell market is booming. Prices for dealerships remain at record levels as public companies, private groups and investors new to our industry are all looking for opportunities to grow. Because of the strong pricing, sellers are coming to the market in increasing numbers. With the higher supply of dealerships available, some buyers are becoming more selective, focusing only on those deals that fit their acquisition strategy. Dealers frequently ask us if we think the next recession is imminent, but so far all signals are flashing green. For those who are interested in buying or selling a dealership, market conditions remain extremely strong.

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 three quarters of this year compared to the first three quarters of 2014. There have been several large transactions announced recently by the public companies, but it seems unlikely that the spending in 2015 will equal the spike we saw in 2014 largely due to the Lithia acquisition of DCH for over $600M that happened late last year. We may be entering a mid-cycle M&A market where the publics are acquiring dealerships valued at $750M-$1.0B per year. (Note: any acquisitions completed by Berkshire Hathaway Automotive are not included as the values of those transactions are not reported in SEC filings.)



Private buyers are the biggest driver of the automotive buy-sell market today. The total number of dealerships acquired by private dealers increased 34% in the first nine months of 2015 compared to the same period in 2014, according to The Banks Report.[1] Growth is leveling off from the boom we saw in 2014, but remains very high. We remain in the best market for buying and selling dealerships that any of us can recall.

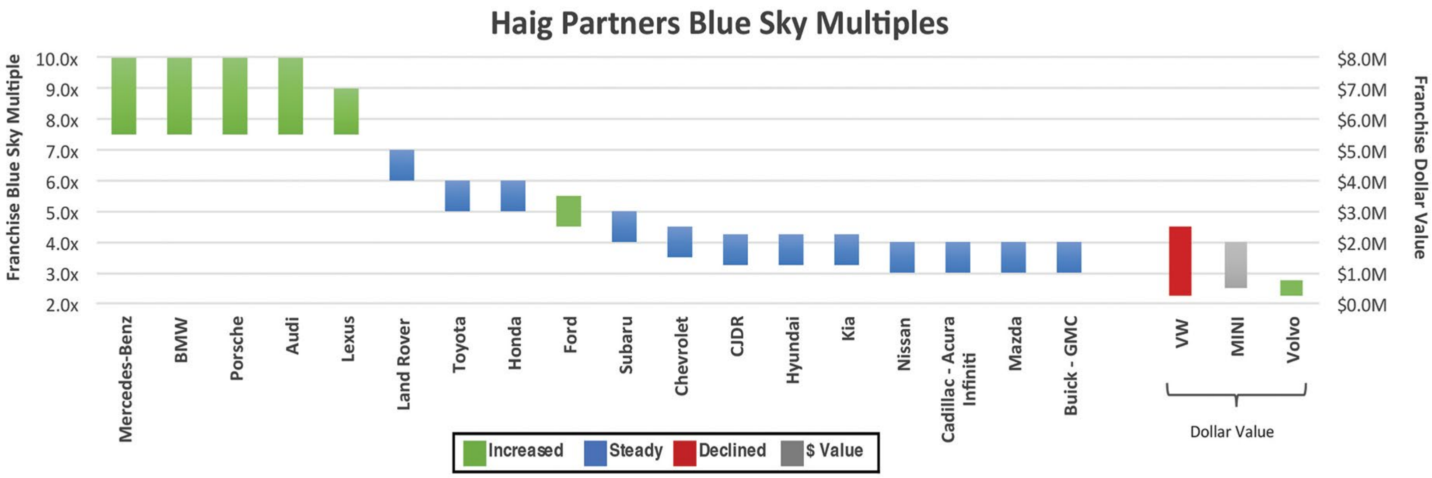


[1] *The Banks Report: by Cliff Banks @ www.thebanksreport.com*

Blue Sky Multiples Remain at Record Levels for Almost All Franchises

Luxury franchises continue to bring the strongest interest from buyers. Mid-line import brands like Honda, Toyota and Subaru also remain attractive to most buyers. And we are seeing a big increase in the interest in domestic brands by some of the most sophisticated buyers. Notably, AutoNation recently announced the acquisition of the Allen Samuels Group that is dominated by Chrysler-Jeep-Dodge franchises and generated over $734M in revenue. We have sold several Ford dealerships over the past year to Asbury Automotive and had strong interest from multiple buyers for all of them. Now that the ignition switch recall is passing into memory, we expect more sales of GM franchises as that brand is likely enjoying record profits at the retail and OEM level. Even in this strong market, we do have some troubled franchises. We will speak more about Volkswagen later in this report.

The table below provides our estimate of what multiple of pre-tax earnings a buyer will pay for the goodwill of a franchise, in addition to the other assets. The blue sky multiple is a reflection of the risk/reward profile that investors place on each franchise. Higher risk franchises bring lower multiples, while franchises that are perceived as lower risk or offer higher growth command higher multiples. The net result is a risk-adjusted return profile as determined by the market. Of course, actual multiples or prices paid by buyers could be higher or lower than the ranges we indicate. Underperforming dealerships can bring much higher multiples, and dealerships with facility issues may bring lower multiples. 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.



About 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 225 dealerships totaling more than $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 15 months, Haig Partners has helped seven of its clients to sell their businesses for over $300 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.

TRENDS IMPACTING AUTO RETAIL

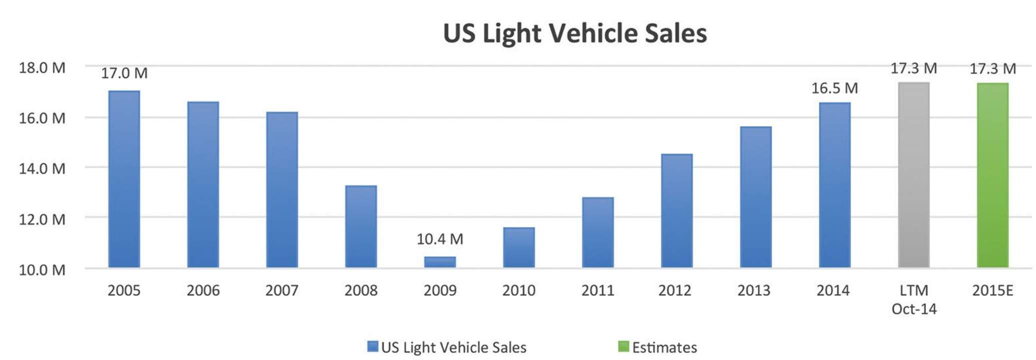
Macroeconomic Indicators Are All Positive

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 2.7% and 2.5% in Q4-2015 and Q1-2016, respectively.
- *Interest Rates Remain Low.* The average cost for a five-year auto loan was 4.30% per Bankrate.com.
- *Employment and Wages Are Increasing.* Unemployment has fallen from 5.7% in October 2014 to 5.0% in October 2015. In addition, workers' weekly earnings increased 1.6% year-over-year ended September 2015. Almost every day we read about major companies that are elevating wages and increasing hiring. The growing strength of workers is also visible in the auto industry as the UAW has recently negotiated new contracts with all three domestic OEMs. While our dealer friends may cringe at their escalating payroll, more jobs at higher wages are a good recipe for auto sales.
- *Number of Miles Driven Is Increasing.* The total number of miles driven, which influences the vehicle replacement rate and is a key measure of demand for autos, increased 3.6% year over year during the first eight months of 2015 compared to 2014, according to the US Federal Highway Administration.

New Vehicle Sales At All Time High

New vehicle sales over the past twelve months reached 17.3M units, a record high and there is no slowdown in sight as the SAAR in October was far higher at 18.1M units. 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. Almost all experts project a further increase for next year. 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.



Source: Historicals - Automotive News, Estimates: Bank of America Merrill Lynch, Kelly Blue Book

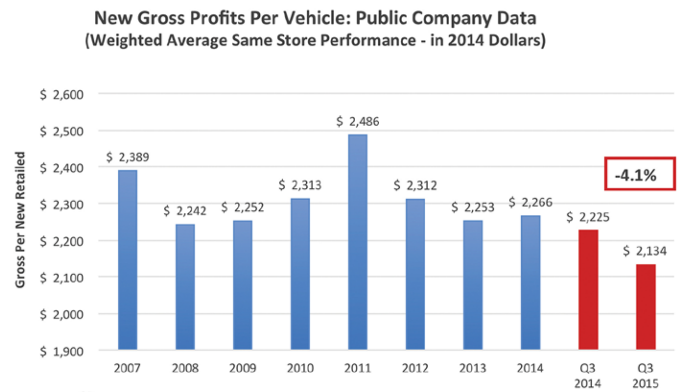
Supply of Used Cars Is Increasing

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 some franchises, there is more profit in used cars than new cars.

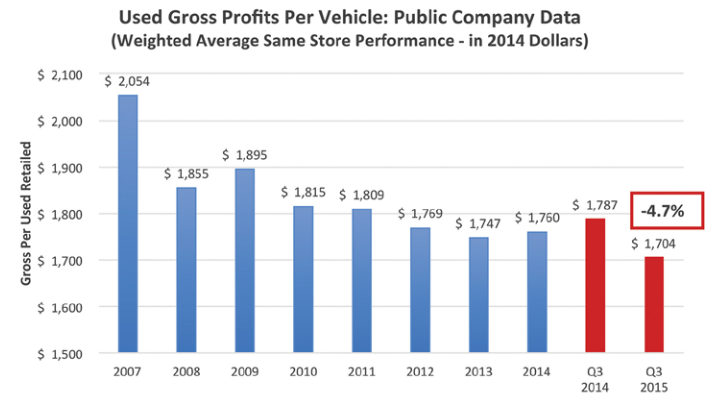
TRENDS IMPACTING AUTO RETAIL

The Fly In the Ointment: Grosses Are Sliding

Although retailers have much to be thankful for, one of the biggest challenges today is an erosion of gross profit on the sales of new and used vehicles according to data published by the public auto retailers. For the first nine months of 2015 profits per vehicle retailed declined 4.1% for new and 4.7% for used. This trend is surprising to many since the market is shifting towards luxury vehicles, trucks and CUVs/SUVs that typically bring higher than average margins. The decline appears to be happening in the midline import segment, in brands like Honda, Toyota, Nissan, Volkswagen, Kia and Hyundai. The decline is driven by a number of factors, such as OEM stair step programs, turn and earn policies, TrueCar, the ease that consumers have in comparing prices on mobile devices, etc. Also, luxury dealers tell us that much of their growth in sales is in their newer, lower priced models that bring less margin. We are not sure what will stop this decline in gross profits as inventory levels look to be rising now in the industry.



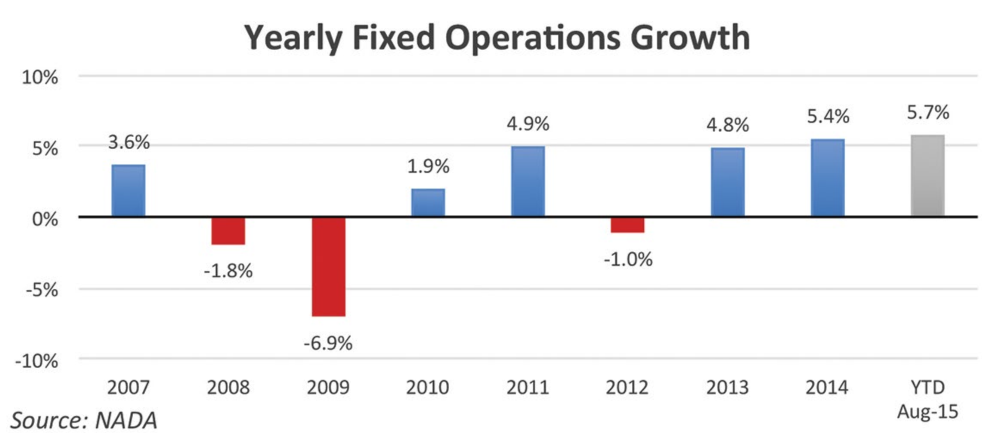
Source: SEC filings



Source: SEC filings

Fixed Operations Driving Higher Profits

Almost six years of rising sales have been elevating the number of units in operation in the US and these vehicles are showing up in service drives around the country. Private dealers reported fixed operations increased 5.7% in the first eight months of 2015 compared to same period in 2014. Public retailers did even better, averaging 6.3% growth on a same-store basis in the first nine months of 2015 compared to the same period in 2014. Higher profits from fixed operations may continue to lift dealership profits even if vehicle sales and/or margins worsen.

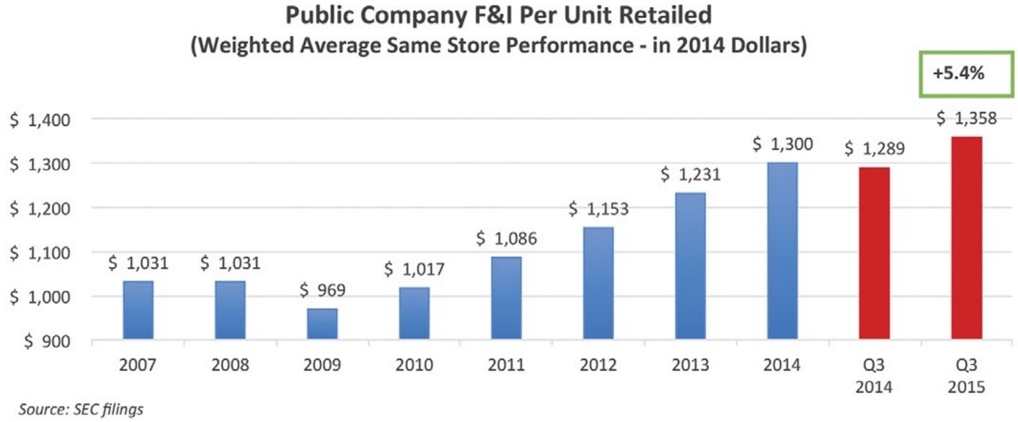


Source: NADA

TRENDS IMPACTING AUTO RETAIL

Finance & Insurance Departments Are Generating Record Profits

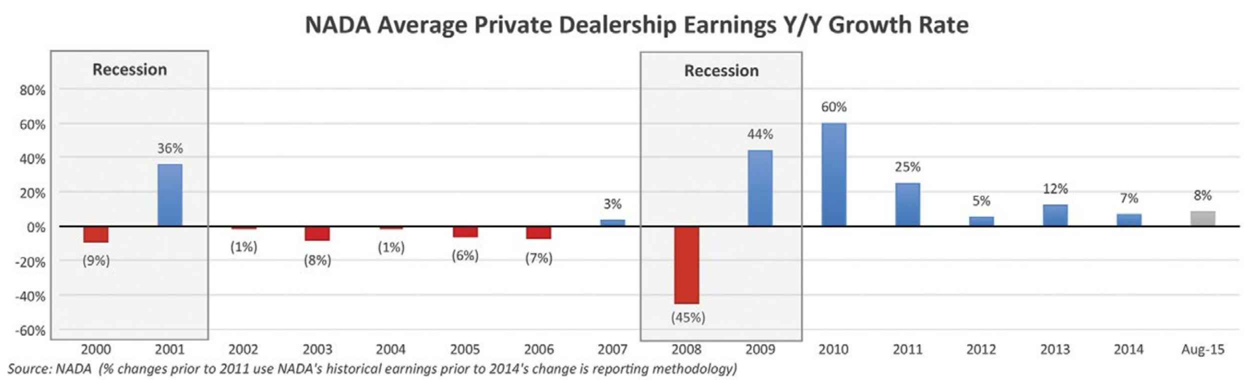
The public retailers' average F&I gross profit PVR reached an all-time high of $1,358 in the first nine months of 2015, up 5.4% from the same period of 2014. And since there is little expense against this revenue, much of the increase in the F&I department makes its way to the bottom line for the public retailers. This growth helps to offset some of the decline in vehicle margins.



Dealership Profits Continue Their Upward Trajectory

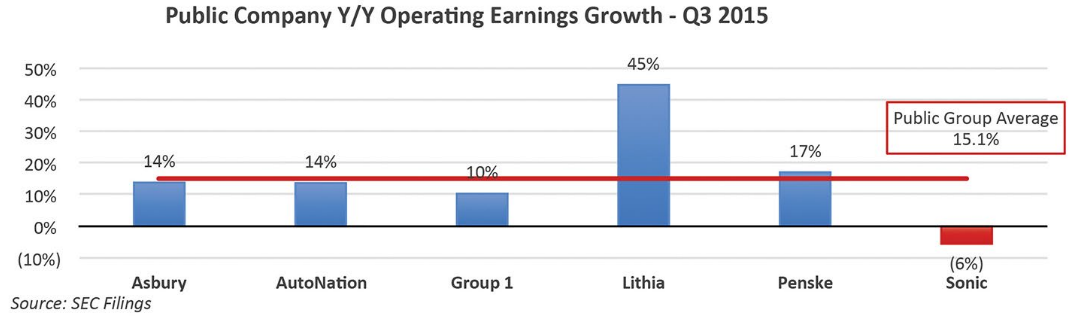
The net outcome of the trends listed above is that profits at dealerships keep growing. Private dealerships generated an average of $1.162M in pre-tax profit over the last twelve months, up 8% over 2014.

The table below shows the annual change in profits over the past 15 years. It is this steady growth in profits that have rewarded dealership owners of the past several years, and is also attracting new buyers to our industry.



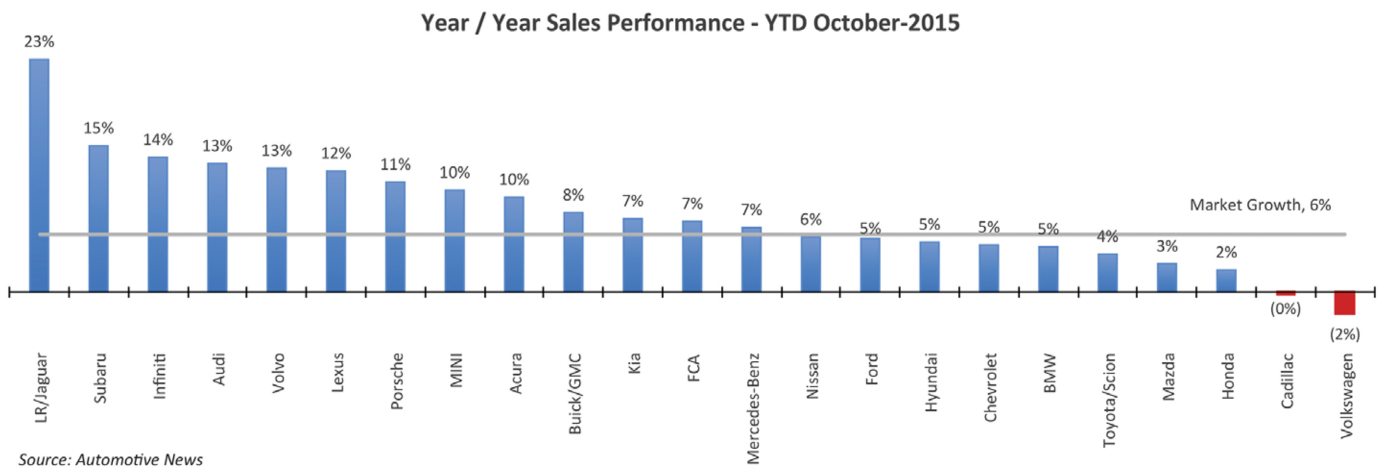
TRENDS IMPACTING AUTO RETAIL

While private dealers are no doubt happy, public retailers are enjoying even stronger growth with earnings up 15.1% so far in 2015 over the first nine months of 2014. However, this growth includes acquisitions as well as same store results.



Sales Growth for Individual Franchises

The following table sets forth the change in new unit sales at the major franchises through October 2015 compared to the same period in 2014. Eight of the 14 brands that are beating the market are luxury brands. Domestic sales growth is pretty close to average, but we think their sales mix is shifting from fleet to retail, and we expect their retail sales to grow faster than the market in 2016 if gas prices remain low and housing starts continue to grow.



HAIG PARTNERS SPOTLIGHT:

MIKE TOTH, CFA

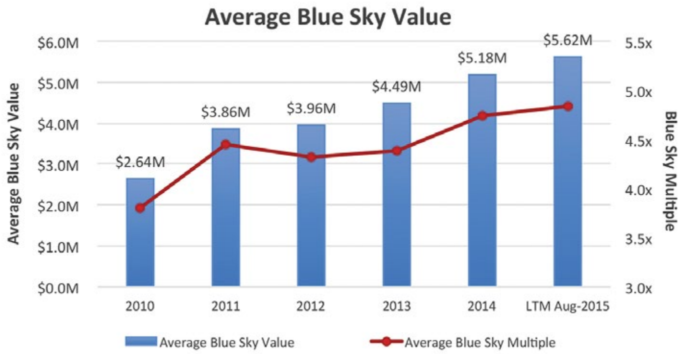
Mike joins Haig partners with a diverse automotive, retail, financial and transactional background. Prior to joining Haig Partners, Mike served as Business Development Director at MEDNAX, Inc., a leading provider of physician services, where he was involved in acquisitions with a value of more than $800 million. Prior to that, Mike was the Director of Corporate Development at AutoNation, Inc., the world's largest automotive retailer where he worked with Alan Haig on the purchase or sale of approximately 40 dealerships with a value of more than $400 million. He also held positions at AutoNation managing the floorplan facilities and financial risk management programs. Mike also held various operating and financial positions at Office Depot, a leading office supply retailer, where he was responsible for retail categories with over $1 billion of revenue and participated in approximately 500 real estate projects.

Mike is a CFA charterholder and has an MBA from Florida Atlantic University and a BS in Accountancy from Villanova University. He lives in South Florida with his wife and two children.

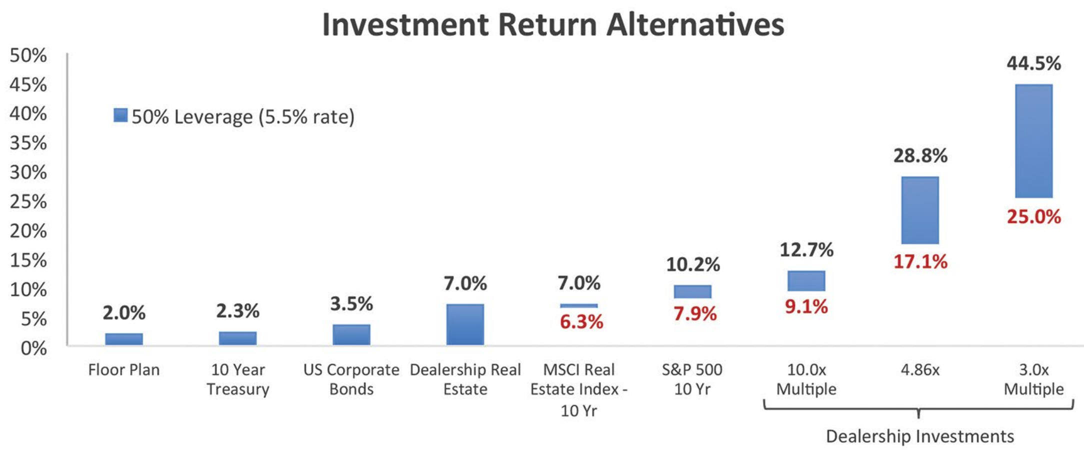
BUY SELL TRENDS

Dealership Values Continue to Appreciate

We estimate that the average blue sky multiple for all franchises on an unweighted basis was 4.84x in Q3, up 2% from 2014, and up 11% from 2013. The average profit per dealership according to NADA has increased 6% for the twelve months ended August 2015 compared to the full year 2014. Applying the 4.8x blue sky multiple to the average dealership pre-tax profit of \$1.162M generates an average blue sky value of \$5.62M, up 8% from 2014, 25% from 2013, and up 42% 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 50% financing for the leveraged figures.



Source: Bloomberg, Robert Schiller, MSCI, Haig Partners' Estimates

Investors are also placing high valuations on the public retailers. The average stock price for public retailers was approximately \$67.20 per share on November 2, 2015, near their highest level ever.

Source: Yahoo Finance

Private Equity and Family Offices Are Now Significant Players in Auto Retail

In 2015, we have seen private equity firms and family offices acquire dozens of dealerships and we believe their appetite is much, much larger. The Ken Garff Group (backed by Leucadia outside of Utah), RFJ Auto Partners and GPB Capital are the best-known private equity firms today in auto retail and we believe they now own 50+ stores. While family offices have been in auto retail for some time, we are seeing an influx of new players in 2015. The Fremont Group (a Haig Partners client) announced the acquisition of Morrie's Automotive Group and Soros Fund Management has made an investment in McLarty Automotive that recently acquired a group of dealerships in Arkansas. All of these investors have backed experienced automotive retail executives and are building dealership groups that marry the entrepreneurial spirit of privately owned dealerships with the discipline of the public companies. Now that private equity firms and family offices have established footholds in our industry, we expect them to spend about the same amount of money on acquisitions as the public companies are spending.

Domestic Stores Are Becoming Increasingly Desirable

There are two trends that are dovetailing nicely for the makers and sellers of CUVs, SUVs and trucks. First, consumers have been moving to these classes of vehicles for many reasons, and that trend is now accelerating due to low gas prices that seem to be here for the foreseeable future. Sales of trucks, CUVs and SUVs grew 12.4% while sales of cars fell 1.6% through October 2015 compared to the same period ended October 2014.[1] And second, domestic OEMs have become adept at loading up these vehicles with lots of content normally associated with luxury vehicles and they are selling these vehicles at high price points that are generating big margins for everyone in the food chain. A few facts to consider:

- The average price for a full-size pickup reached $43,501 in June, up 37% in the past decade (Detroit News 7/15/2015);
- 21%-30% of pickups sold by FCA, Ford and GM are priced at $50,000 and up;[2]
- The F-Series sells more units over $50,000 than *any other brand*, including Audi, BMW, Mercedes-Benz etc.[3]

As we all know, if gas prices spike, consumers are likely to move away from these vehicles and residual values could fall precipitously. For the foreseeable future, however, we congratulate our dealer friends who own domestic franchises. They own "luxury" stores without having to deal with onerous facility requirements that the German OEMs often apply to their dealers, and they can purchase more of them at lower prices.

Volkswagen Scandal Will Further Depress VW Dealership Values

Many people in the industry have been shocked that VW designed its diesel engines to trick emissions regulations around the world. VW will spend years paying billions to consumers, dealers, regulators, and lawyers aside from the costs of repairing the vehicles. And there will likely be more senior executives that depart from the company, which will diminish VW's ability to compete with other global automakers. Plus, there is the perception that VW has lost the trust of millions of its customers who may purchase other brands in the future.

The cost to VW's shareholders has been immense, with a loss of over $36B in the company's market value since VW admitted its actions. This is one of the biggest business scandals of the past decade. While

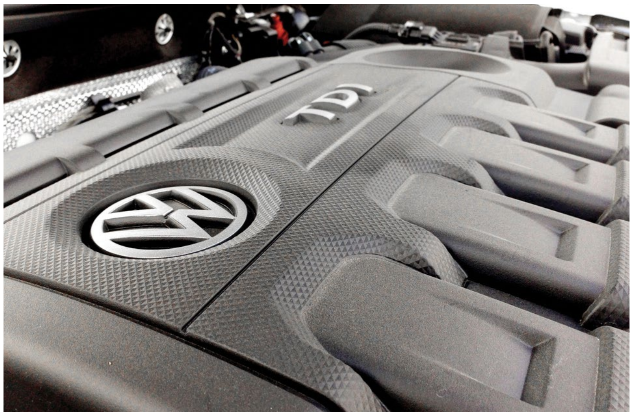
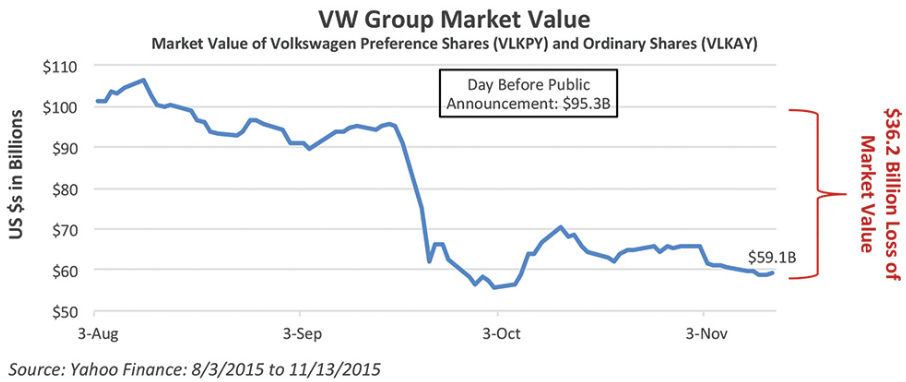


Photo credit: Simone Mescolini / Shutterstock.com

[1] *Automotive News Data Site, November 2015*
[2] *Wall Street Journal, 7-27-2015*
[3] *Automotive News Data Site, August 2015, Haig Partners*

consumers will eventually forgive VW, the huge hit to VW's bottom line may weaken its ability to produce and finance vehicles, and not just VWs, but also Audi and Porsche models. VW's plan for 800,000 new units sold in the US by 2018 is completely dead. VW dealership values had already declined to a pretty low level before the scandal, and we expect they will be even less desirable during this period.



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 firm. 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.

Relationships with Buyers. We know many of the best 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 other opportunities. We then run a process that creates competition to generate highly attractive offers from buyers.

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

Speed. We focus on the transaction every day, allowing owners to focus on dealership operations.

Haig Partners offers unmatched experience in our industry, and we are pleased to connect you with our former clients for references.

FRANCHISE VALUATION RANGES:

We have been involved in the purchase and sale of over 225 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 form the basis for the following evaluations.

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 what buyers will pay for the goodwill of dealerships, and we note 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 multiples, while dealerships that are in less desirable markets, are overperforming or that have significant real estate issues may bring lower multiples.

Luxury Franchise Blue Sky Multiples

Mercedes-Benz. M-B remains much in demand as dealerships are capable of generating high levels of profits. Sales are up 7% so far in 2015 vs. 6% for the overall market, the first time in recent memory that M-B has not far outpaced the industry. We are currently involved in the sale of three M-B stores and buyer interest remains keen, even for stores in smaller markets. We are lifting the bottom end of our range based upon what we are seeing and hearing in the market. There are simply no "deals" to be had on this franchise. Higher multiple range: 7.5x-10.0x.

BMW. BMW remains one of the most attractive brands for many buyers, although sales are up just 5% so far in 2015, slightly below the market. Buyers will bid strongly when given the opportunity, although some buyers are complaining that BMW is inflexible regarding facility requirements. We are lifting the bottom end of our range as we believe buyers view BMW at an equivalent level to M-B. Higher multiple range: 7.5x-10.0x.

Audi. Audi has become a very desirable luxury franchise with sales up 13% so far in 2015, far more than BMW or M-B. Audi has been leading all luxury automakers in sales growth for the past several years. While facility requirements have been costly and add-points are hitting some markets, many buyers are shopping for Audi stores and some have traded recently for very high prices. So far, we see no negative fallout from the VW emissions cheating scandal. As with M-B and BMW, we are lifting the bottom end of our range. Higher multiple range: 7.5x-10.0x.

Porsche. Porsche has become one of the most desirable franchises in recent years. Sales are up 11% 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. As with the other German luxury brands, buyers are willing to stretch for Porsche franchises and we are lifting the bottom end of our range. We hope the VW scandal will not limit future Porsche products. Higher multiple range: 7.5x-10.0x.

Lexus. With sales up an impressive 12% so far in 2015, buyers are convinced that Lexus is regaining its footing in the market. Some dealers complain that Lexus has adopted the high volume – low gross profit Toyota sales philosophy, but we are also hearing those complaints now from some German luxury dealers. We expect more Lexus stores will sell in the upcoming months as they are performing better and Lexus has slightly relaxed its cap on multi-store ownership. We are involved in the sale of two Lexus stores currently, and interest has been keen. Many of the original Lexus dealers may want to use this window of opportunity to exit. Higher multiple range: 7.5x-9.0x.

Jaguar-Land Rover. JLR is up an amazing 23% (32% for Land Rover alone) so far in 2015 and sales are expected to increase even further with new models at Jaguar (including its first SUV), and a line of lower priced SUVs at Land Rover. These new models should help smaller JLR stores to cover overhead, and are also welcome at metro stores to help JLR stores better compete with other luxury brands that have a broader line up of cars and CUVs/SUVs. The next few years will likely be the best ones ever for JLR dealers. Growth does have its side effects, though. With more of these lower priced vehicles, the era of $10,000+ per Land Rover gross profits may be coming to an end. Plus, there are new facility requirements to handle the higher volumes, 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 slightly so far in 2015. We expect this franchise to improve with better products, and hopefully fewer dealerships, but for now most Cadillac stores are nominally profitable. Acura sales are up 10%, over the market average, but there remains little interest in this franchise from buyers in most markets. Infiniti was up 14%, 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, including Hyundai's announcement that it is launching Genesis Motors, a new stand-alone luxury brand. These franchises have a hard time making over $1M in most markets, but they can provide nice tuck-in acquisitions. Same multiple range: 3.0x-4.0x.

Volvo. For the first time in many years, Volvo sales are up! The new XC90 is a hit and volume is up 13%. It will take some time for these units to make it into the hands of consumers and have a meaningful impact on the bottom line at dealerships. But still, there is new life in this franchise and its Chinese parents are investing billions to develop a more competitive product line. Higher value range: $250,000 - $750,000.

Mid-Line Import Franchise Blue Sky Multiples

Toyota-Scion. Toyota is up 4% for the year, less than the overall market, which is a surprise to us since Toyota is more weighted towards trucks and CUVs than its Japanese or Korean competitors. Corporate profits are massive, though, so we expect Toyota to continue to develop innovative products and use its strong balance sheet to provide low cost financing to consumers. The key weakness in the franchise appears to be the low new vehicle margins and Toyota is trying to boost them through new advertising policies. Still, high profits per store continue to attract lots of buyers. Same multiple range: 5.0x-6.0x.

Honda. Honda has been lagging the market so far in 2015 with sales up just 2%, but that is likely to change soon as the new Pilot, Civic, Ridgeline pickup, Odyssey, CR-V, Accord and the new HR-V (CUV) should help it to take share profitably. The Car Wars Report predicts that these updated core products, along with the new models, will make Honda the fastest growing major OEM over the next three years with a replacement rate of 96% compared to the industry average of 80%.[1] Loyal customers and a balanced business model of strong variable and fixed operations continue to attract buyer interest. Same multiple range: 5.0x-6.0x.

Subaru. Subaru's sales continue to surge, up 15% so far in 2015. Subaru is perfectly positioned today with a product line that is skewed towards CUVs and branding that is attracting Millennials, young families, and even retired folks. And somehow Subaru has escaped recalls that have damaged the reputations of other midline franchises. Subaru is increasing production capacity so growth should continue for some time, although the add points that are arriving in some markets will hurt neighboring dealers. Buyers may need to expand dealerships to handle the higher volume. Same multiple range: 4.0x-5.0x (with pricing higher in Snow-Belt states).

Kia. Kia sales have grown 7% so far in 2015, slightly faster than the market. New car margins are decent and as the number of units in operation grows, so should fixed operations. 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. Same multiple range: 3.25x-4.25x.

Hyundai. Sales are up 5% so far in 2015, just beneath the market average. 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. Hyundai also announced that it will launch Genesis Motors as a separate luxury franchise. This may consume significant engineering and marketing resources, and we hope its new strategy will not diminish its strength in producing the affordable vehicles for which it is known. 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. Same multiple range: 3.25x-4.25x.

[1] *"Car Wars 2016-2019: 25th Anniversary" by John Murphy – Bank of America Merrill Lynch – May 8th 2015*

Nissan. Sales are up 6% so far in 2015, off the rapid pace of growth in recent years. The factory is playing a very active role in its dealer network. From accounts we have heard, Nissan is unique in that it wants to have a dominant dealer in each market to better compete with Honda and Toyota dealerships. Nissan is encouraging weaker dealers to sell to these preferred dealers, and may also be exercising its rights of first refusal in buy-sells to offer stores to preferred buyers. This can have a chilling effect on the value of Nissan stores. The preferred dealers don't need to make strong offers to buy stores in their market. They can wait for another bidder to set the price and then step in at the last minute. And what non-preferred buyer wants to do the work to buy a Nissan store if they believe the preferred buyer will have the last look? Or that they may not be treated well by Nissan if they do acquire the dealership since they foiled its plans? Nissan's actions, while intended to give preferred Nissan dealers higher levels of profits and improve franchise value, may be suppressing the natural values of Nissan stores owned by non-preferred dealers. Given the strong sales growth in recent years, and some very nice profits we have seen at several Nissan stores recently, we have been tempted to upgrade the franchise. But with so much influence from the factory, we don't see buyers stretching to purchase these franchises. Same multiple range: 3.0x-4.0x.

Mazda. Sales are up just 3% so far, below the industry average of 6%. Mazda is underweighted in trucks and has dated CUVs, 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 stand-alone acquisition, but like the returns they can get from them as a part of a larger acquisition or as a tuck-in to a local group. Same multiple range: 3.0x-4.0x.

VW. We used to be frustrated with this franchise, but now we are just sad for it. Sales are down 2% in a market that is up 6%, but of course the big story is the emissions cheating scandal. VW appears to be making some good moves to appease its customers and dealers by giving money to dealers to help sell more cars, buying back used diesel vehicles, offering gas cards, discounts on future purchases, etc. And it is likely that many customers may not care that much about the scandal and this will fade from their memories in a couple of years. What worries us most is the massive cost VW is going to incur to try to fix the vehicles and satisfy angry regulators around the globe. We hope that this event will cause VW management to be more focused on what is best for customers and dealers. Given the decline in sales over the past two years and low product margins, 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. And the cheating scandal has made this franchise even less desirable. This could be a buying an opportunity for dealers who have strong stomachs. Lower value range: $250,000 - $2,500,000.

MINI. Sales have jumped 10% so far in 2015 after a couple of years of imploding results. MINI seems to be marketing how big their vehicles are, in contrast to previous marketing messages about how small they were. Perhaps it is fighting low gas prices and a consumer base that is seeking larger, more comfortable vehicles. Since stand-alone MINI stores are marginally profitable, or even money losers, we value MINI as a range in dollars. Same value range: $500,000-$2,000,000.

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.)

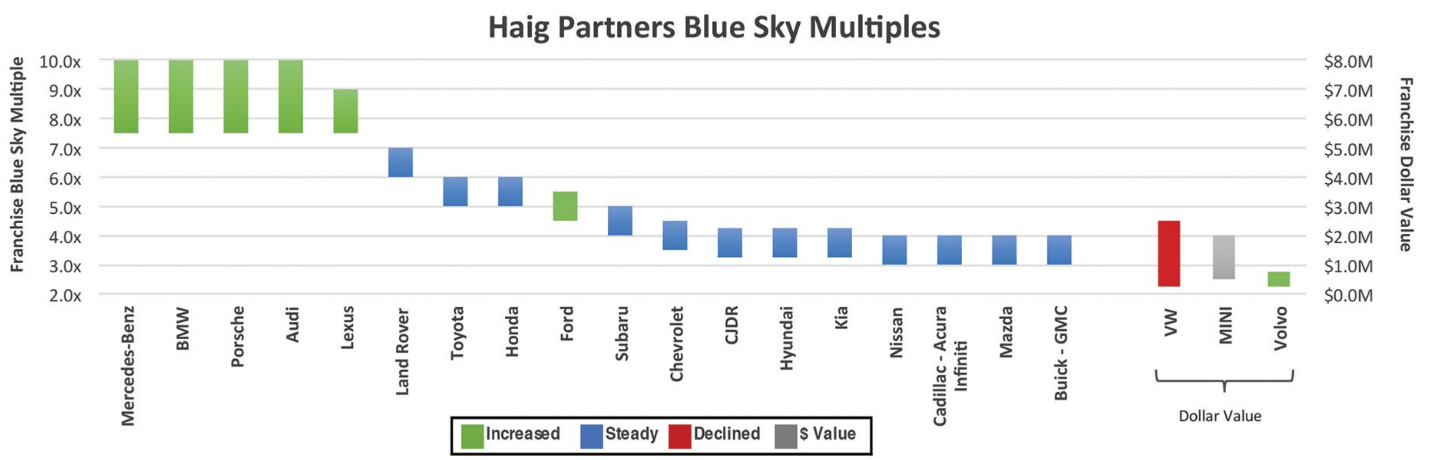
Ford. Ford sales are up 5% so far in 2015, slightly below the market average, perhaps due to ongoing shortages of F-150s. Ford is loaded with trucks, SUVs and CUVs so we would think they should be entering a golden era of sales and profitability growth. Also, while Lincoln is criticized by many as a failed luxury brand, Ford is selling so many high-priced trucks that it could credibly say that the F-150 Series is already a luxury franchise. These high truck, CUV and SUV prices should mean higher profits for dealers, although collapsing margins on Ford cars does not help. We have been involved in the sales of three Ford dealerships recently. All were strongly profitable and got significant interest from buyers. Higher multiple range: 4.5x-5.5x.

Chevrolet. Sales are up 5% so far in 2015, near the overall market, but were up significantly in October due partially to the new Colorado small truck model. Light trucks, CUVs and SUVs comprise a large portion of Chevrolet sales and provide dealers with a nice stream of fixed operations down the road. We would expect Chevy to take share in this market without resorting to heavy incentives. GM's North American profits reached a record high level in Q3 2015, which should help it to continue to develop attractive products and support its ability to provide low cost financing to dealers and customers. Winning Motor Trend's Car of the Year and Truck of the Year Awards in 2015 should keep showrooms buzzing. Same multiple range: 3.5x-4.5x.

FCA (Chrysler-Jeep-Dodge-Ram-Fiat). FCA's sales were up 7% so far in 2015, slightly over the market average. Jeep is one of the fastest growing major brands in the industry with sales up 24%. A huge chunk of FCA's sales are truck/SUV/CUV models so it remains very dependent on low gas prices. But, sadly, FCA's product quality remains mired in the basement, with seven products ranking last or second to last in the ten product segments in which it competes.[5] Profits per dealership are likely to be at all-time high levels. Same multiple range: 3.25-4.25x.

Buick-GMC. Sales are up 8%, more than the market, riding the boom in truck and SUV/CUV sales. GMC continues to perform particularly well with its full sized trucks, SUVS and the new Canyon light truck product. Same multiple range: 3.0x-4.0x.

[5] *JD Power Initial Quality Survey 2015*



SUMMARY

The buy-sell market for auto dealerships is extremely active. Many privately owned groups, most public companies, and numerous new investment firms are seeking opportunities for growth. Plus, we are seeing an increasing number of dealers entering the market to sell their businesses. These are the kind of conditions that generate lots of M&A volume and we expect the remainder of 2015 and at least the first half of 2016 to remain an attractive period in which to buy and sell dealerships.

In terms of dealership values, earnings are at record levels and our data indicates that blue sky multiples are also at all time highs, so the blue sky or goodwill being offered for dealerships is reaching record levels per store. Along with the value of dealerships, real estate has recovered nicely from the Great Recession so the total value being paid today to acquire dealerships has never been higher.

Many dealers, both buyers and sellers, have been asking us how much longer the good times can last. We wonder the same thing, since our business is based on transactions. We take solace in the economists and stock analysts who are predicting that for at least the next couple of years we will enjoy an expanding economy and low interest rates which should maintain or even boost further new vehicle sales and the corresponding high levels of dealership profitability.

Haig Partners is seeing these strong conditions in our current own engagements. On the sell-side, we recently closed on the sale of Valley Motors (Audi, Mercedes-Benz, Subaru and VW) to AutoNation, Mike Davidson Ford to Asbury, Mercedes-Benz of Reno to AutoNation and Freightliner of Chattanooga and Freightliner of Knoxville to Penske Automotive Group. We are currently representing dealers who are selling a wide variety of franchises, including Ferrari, Ford, Honda, Kia, Lexus, Maserati, Mercedes-Benz, Porsche and Toyota. We also represent a family office that is in the process of buying Morrie's Automotive Group that owns 14 franchises at ten locations in Minnesota and Wisconsin. We know of no other firm that has 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.

HAIG PARTNERS
401 E. Las Olas Blvd.
Suite 130-659
Ft. Lauderdale, FL 33301