## THE HAIG REPORT Q4 | 2019

# TRENDSIN AUTO RETALLAND THEIRIMPAGT ONDEALERSHIP VALUES 

- Economic conditions were highly favorol ble at the end of 2019
- Protis were up for publicand private dealers
- Buy-sells were up $44 \%$ in 942019 but down $3 \%$ on the year due to a slow start
- Public company spending jumped $73 \%$ in Q4 2019 but down $9 \%$ on the year due to a slow start
- More transactions involved single stores or very small groups (lower risk tuck-ins)
- Blue sky values are shifting
- Buy-sell activity was picking up as buyers became more confident
- THE CORONAVIRUS WILL ALTER THESE TRENDS. SEE PAGES 14 AND 17 FOR OUR OUTLOOK ON THE INDUSTRY AND BUY-SELLS

HAIG
PARTNERS

## OVERVIEW

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We ended 2019 on a high note. Dealership profits defied analysts' expectations and rose $4.8 \%$ thanks to a greater focus on used vehicles, F\&l and fixed operations. The buy-sell industry started slowly but rebounded as the year went on. In Q4, 44\% more stores traded hands than in the year before and that momentum was carrying on in Q1 2020.

But all of this momentum came to a halt in mid-March due to the coronavirus. Consumers have been spending more time shopping for toilet paper and food than durable goods like autos. Government officials and business leaders are taking steps to reduce social interaction such as going to restaurants and sporting events, attending school and working in offices. Some state and local governments are going even further and requiring businesses to shut down for a period of time. Healthcare providers are putting off elective surgeries and preparing for an onslaught of sick citizens, particularly older ones. We have never seen the U.S. economy be put on pause while we battle a pandemic. We expect the current administration to use all of the powers of the Federal government to fight the virus AND to keep the economy from tipping into a long term recession.

There is a chance this event will not prove to be devastating and the conditions will return to "normal" within a month or two. In that case, our economy could resume its growth. But there is also a chance the fight against the coronavirus will go on for many months which would have a severe impact on many businesses. There would be a substantial loss of jobs and we would most likely tip into a recession, defined as two quarters of consecutive decline in GDP. Some dealerships might be forced to close. No matter what happens, we have faith that our auto dealer friends will respond as they always have during tough times - by taking care of their families, helping their employees, supporting their communities, and making adjustments to the business to remain profitable.

## 360+ DEALERSHIPS

Bought or Sold Since 1996
 BOUGHT/SOLD

## FLORIDA

73 DEALERSHIPS BOUGHT/SOLD
\$5.2 BILLION IN VALUE

360+ DEALERSHIPS

23 YEARS OF EXPERIENCE
\#1 TRUSTED PARTNER

## THANK YOU!

The team at Haig Partners would like to thank our clients, buyers, industry partners and associates as we celebrate these milestones.

## The Buy-Sell Market Ramped Up in Q4

For the year, the number of dealerships purchased by public and private dealers fell $13 \%$ compared to 2018 . One reason for this decline was due to a large deal that closed in 2018 comprised of 28 stores, the Ken Garff Automotive Group. If this one transaction is removed, then we see a decline of 5\% in dealership sales for 2019 compared to 2018.

After a slow start, buy-sell activity expanded sharply towards the end of the year. An estimated 78 stores were acquired by public and private buyers in Q4 2019, a 44\% increase from Q4 of 2018 that saw 54 stores change hands.

The strong recovery in the buy-sell market is likely tied to the strong financial performance that dealerships produced in 2019. Consumers shrugged off concerns about tariffs, trade wars, fears of recession, and other factors and purchased new and used vehicles at higher levels than expected. This level of consumer confidence was mirrored by many dealers who also shrugged off concerns about technology disrupters and decided they were ready to grow again.

When we dig into the data to see what kinds of deals are being completed, we see a notable increase in the percent of single point transactions. Approximately $80 \%$ of the stores sold in 2019 were single point transactions compared to a rate of about $45 \%$ that we have seen in other years. The percentage of transactions involving groups has fallen from 55\% to just 20\%. Plus, the size of the groups being sold shrank to an average of only 2.7 stores compared to the 3.3 store average we have seen over the past several years. This shift to smaller transactions indicates to us that buyers were cautious in 2019, preferring to grow in small bites rather than big ones. A seller of a single dealership found many buyers in 2019. A seller of five or more dealerships found fewer buyers.

As for segment mix, 2019 saw a higher mix of domestic ( $52 \%$ vs $50 \%$ ) stores changing hands while midline imports represented a smaller share ( $33 \%$ vs $38 \%$ ). Luxury brand sales were $15 \%$ compared to $12 \%$. We noted that Nissan represented 6\% of the stores sold in both 2018 and 2019, well over their market share in terms of dealerships in the U.S.


[^0]
## Public Company Acquisition Spending Jumped Over 70\% in Q4

During the first half of the year, the publics bought very few dealerships as their stock prices had been low for some time due to investor concerns about tariffs, trade wars, Federal Reserve actions, a declining SAAR, and fears caused by some of the tech disruptors. Many acquisitions were not accretive to share prices, so public groups largely focused on share repurchases, used-car stores, truck dealerships, collision centers, and other less capital-intensive aspects of our industry. But as these concerns began to dissipate
in Q1 2019, stock prices rebounded sharply - up 79\% by the end of the year. When acquisitions became more accretive, the public companies became more active in the buy-sell market. In Q4 2019 the publics spent 73\% more than in Q4 2018: \$244M on acquisitions for seven stores compared to \$141M in Q4 2018 for just two stores. For the year, public company spending on auto acquisitions in the U.S. declined approximately 9\% from \$766M in 2018 to \$696M in 2019.

PUBLIC COMPANY ACQUISITION SPENDING
Domestic \& International


Source: SEC filings

## Buy-Sell Outlook for 2020

Due to the onset of the coronavirus, it is very difficult to predict how the rest of 2020 will unfold in the buy-sell market.

On the private side, we are in contact with many groups looking to expand as they have been enjoying high, and often record earnings. Plus, they have access to significant amounts of inexpensive capital from commercial banks and captive lenders who want to put more money to work in our industry. And aside from the attractive returns on investment, dealers are increasingly convinced that scale will matter more in the future than it has in the past. This "Get Big or Get Out" belief is pushing some groups to purchase dealerships so they can be better positioned in the future.

Several public companies have also been discussing big growth plans with their investors and the media around
the NADA convention in January, but in the past 30 days we have seen their valuations significantly compressed due to fears of the coronavirus. Some CEOs will likely press on and buy attractively priced dealerships, but others will call their treasury departments and order them to repurchase shares with excess cash.

In the "Buy-Sell Trends" section we describe our recent experience with the transactions we are conducting on behalf of our clients. The large majority of our engagements are moving forward and valuations remain unchanged. We are hearing the same thing from lenders and other advisors in our space. We do expect delays from some buyers who are more cautious and will want a clearer horizon before they proceed to closing.

## Blue Sky Multiples Are Shifting

We carefully monitor the buy-sell market to assess the desirability of the various auto franchises. We analyze offers for the transactions that we are involved in and regularly speak with leading buyers and many attorneys and CPAs who are involved in dealership acquisitions. We have seen changes in dealership values compared to Q3 2019, with Porsche's value increasing while values for Acura, Audi, Ford, GM, Mazda, and Nissan are falling. Infiniti has been removed from the multiple range and is now valued at a dollar range.

The table below provides our estimate of what multiple or value a motivated buyer participating in a competitive sales process (i.e., not the only buyer at the table) would be willing to pay for the goodwill of a franchise in a competitive process at the end of 2019, in addition to the other dealership assets.

Of course, actual multiples or prices paid by buyers for dealerships will vary depending upon a number of factors and could be higher or lower than the ranges we indicate. The table on the right provides a list of some qualifying factors that could impact the value paid for dealership.


HAIG PARTNERS NATIONAL AVERAGE BLUE SKY MULTIPLES


## TRENDS IMPACTING AUTO RETAIL

While 2019 started slowly due to the impact of the Polar Vortex, the trade war and fears of a recession, the remainder of the year provided a number of pleasant surprises for auto dealers and investors. New vehicle margins are up (first time since 2014), F\&I PVRs are growing and fixed operations continue to increase. The growth in gross profits from these departments is offsetting rising wages and other costs. The bottom line is dealership profits were up by $4.8 \%$ in 2019 compared to 2018. Even more encouraging is that in Q4 2019 dealership profits increased 9\% over profits in Q4 2018.

## New Unit Sales Remained Robust in 2019, But 2020 Outlook Is Unknown

Thanks to a strong second half of the year, 17.1 M new units were sold in the U.S. in 2019 , a $1.3 \%$ decline from 2018 . Retail sales were down a modest $0.9 \%$ in 2019 compared to 2018 , but well ahead of where most forecasters expected. There are several explanations for this strong finish in sales: job growth was steady, wages increased, interest rates were near all-time lows, and inflation was minimal. The net result is that purchasing a new vehicle remained attractive for many U.S. consumers.

The upcoming year will be very hard to predict. Analysts had been expecting another decline in new vehicle sales, but the first couple of the months of 2020 showed a $7.5 \%$ lift in sales at those OEMs who continue to report monthly sales data compared to the same period in 2019. And now sales will slow for some time as consumers seek more information about their future.

# Ya HAIG <br> <br> Maximizing Value <br> <br> Maximizing Value for Clients 

 for Clients}

Haig Partners is not a traditional dealership brokerage firm. We combine the skills gained during our years in investment and commercial banking with the experience of buying and selling dealerships for AutoNation and Asbury. 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 in a highly confidential process. We spend a tremendous amount of time and energy on each engagement. Emphasizing quality over quantity to best serve our clients' interests.

## 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 sales process that creates competition to generate highly attractive offers from buyers.

## Experience.

Since we have been involved in more than 180 transactions for over 360 dealerships with over $\$ 5.2$ billion in value, we know how to respond to issues that can arise in a buy-sell process.

## Relationships with Buyers.

We know and are respected by many of the best buyers across the U.S. We understand what they want to acquire and how they negotiate. By targeting specific buyers instead of running ads, we preserve confidentiality and close transactions more efficiently.

## Speed.

We focus on the transaction every day, allowing our clients to focus on dealership operations.

## U.S. LIGHT VEHICLE SALES



Source: Historicals - Automotive News, Estimates - IHS, Ward's, LMC/JD Power, Cox Automotive, NADA, Chicago Fed, Edmunds

Note: Haig Partners has removed the 2020 SAAR estimates due to economic uncertainty


## Macroeconomic Indicators Were Solid but Are Now Uncertain

## GDP Growth Was Healthy but Will Likely Slow

GDP grew at a $2.3 \%$ annual rate in 2019, beating economists' consensus expectations. GDP growth in 2020 was expected to slide to $1.4 \%$ before the coronavirus hit the U.S. Even with a stimulus package, near term GDP may not meet this level, and it's possible this crisis will tip the U.S. into a recession.

## Employment and Household Income Have Been Increasing

The national unemployment rate has remained at historic lows throughout 2019 and into the first month of 2020, averaging $3.5 \%$. Jobless claims dropped in February. Average hourly earnings were up 3.0\% compared to a year ago. We expect these figures to change materially over the coming months.

## Inflation Is Low

The 12-month inflation rate has jumped to 2.3\% in Q4 from 1.7\% at the end of Q3 2019. Wage growth is still exceeding inflation, leaving consumers with higher real purchasing power.

## Fuel Prices Going Lower

Gas prices have remained consistently low throughout 2019. The recent price spat between Saudi Arabia and Russia has
resulted in a drop in oil prices that has further pushed down the price of fuel to around $\$ 2.00$ a gallon in many markets.

## Interest Rates Are Plummeting

The Fed cut overnight lending rates all the way down to 0\%$0.25 \%$ which should stimulate consumer demand for vehicles via lower monthly payments. The low rates also boost profits for dealers by reducing floorplan expense and mortgage payments. We hear there has been a spike in dealers fixing their long-term interest rates since they began to fall. These lower rates will lift profits for some time.


Source: Federal Reserve Economic Data

## Consumer Sentiment Fell In Early March

According to the University of Michigan, consumer sentiment reached 101 in February, near an all-time high of the past decade, but fell to 96 by early March "due to the spreading coronavirus and the steep declines in stock prices... The data suggest that additional declines in confidence are likely to occur as the spread of the virus continues to accelerate. Perhaps the most important factor limiting consumers' initial reactions is that the pandemic is widely regarded as a temporary event. The component of the Sentiment Index that posted the greatest loss involved judgments about prospects for the economy during the year ahead; this component fell by 29 points, accounting for $83 \%$ of the total point decline in early March. In sharp contrast, consumers more favorably judged the economic outlook over the next five years than last month."

PRELIMINARY RESULTS FOR MARCH 2020

|  | MAR | FEB | MAR | M-M | Y-Y |
| :--- | :---: | :---: | :---: | :---: | :---: |
|  | $\mathbf{2 0 2 0}$ | 2020 | 2020 | 2020 | chg |
| Index of Consumer Sentiment | $\mathbf{9 5 . 9}$ | 101.0 | 98.4 | $-5.0 \%$ | $-2.5 \%$ |
| Current Economic Conditions | $\mathbf{1 1 2 . 5}$ | 114.8 | 113.3 | $-2.0 \%$ | $-0.7 \%$ |
| Index of Consumer Expectations | $\mathbf{8 5 . 3}$ | 92.1 | 88.8 | $-7.4 \%$ | $-3.9 \%$ |

This consumer viewpoint matches the opinion that many dealers are expressing to us: we are in for a terrible short-term shock that should be followed by a recovery with years of healthy economic growth.

## Dealers Are Increasingly Focused on the Used Vehicle Market

To offset weakness in new vehicle sales, dealers have become increasingly focused on selling more used vehicles. There is plenty of room for higher used vehicle sales at franchised dealerships since they account for just about 30\% of total used sales. Same-store used vehicle volume is up $6.7 \%$ compared to last year for public auto retailers. Privately owned franchised dealers are also increasingly focused on
used, and the average dealer had a used-to-new ratio of 0.85:1.0 for the year 2019. This ratio is up substantially from the $0.79: 1.0$ average in 2018 and is continuing to improve. We have several clients that have greater than a $2: 1$ used to new ratio. Their service departments are also busier thanks to more reconditioning.

NADA AVERAGE RETAIL USED UNITS PER DEALERSHIP


## New Vehicle Grosses Show More Signs of Stabilizing

After five years of declining new vehicle margins, public retailers posted a $\$ 35$ PVR increase for 2019. The last three quarters of 2019 all showed higher new vehicle grosses than in the same period in 2018. One dealership group we spoke to said its turnaround began once they
stopped trying to hit stair-step targets and started focusing on front-end gross. And some franchises have put in place covenants that prohibit advertising below invoice or MSRP. BMW dealers are among those that have benefitted from this change.

NEW GROSS PROFIT PER VEHICLE: PUBLIC COMPANY DATA
Weighted Average Same Store Performance - In Current Dollars


As for used vehicles, the average gross profit per used vehicle for the publics slid $\$ 47$ in 2019 compared to 2018. This data might have a bit of noise embedded as both Penske and Sonic operate significant used-only locations and much of Penske's earnings come from the United Kingdom so it has suffered from currency fluctuations. These two groups notched the largest declines of the publics, with used per vehicle gross declining $11 \%$ and $9 \%$, respectively, although their total used volumes increased. Excluding Penske and Sonic, 2019 average gross profit per used vehicle increased \$22 compared to 2018.

Used Gross Profit Per Vehicle: Public Company Data
Weighted Average Same Store Performance - In Current Dollars


## Finance \& Insurance Departments Are Generating Record Profits

F\&l profits per vehicle continue to increase as transaction values go up and retailers do a better job on product penetration. The public companies earned $\$ 1,635$ per vehicle retailed in F\&I gross profit during 2019, up \$106 (7.0\%) from 2018. This increase is significant and more than offsets the decline in gross profit on used vehicles. AutoNation has set the pace for the rest of the publics, generating F\&l
profits of nearly \$2,000 per vehicle retailed. Private dealers also enjoy substantial profits that can be made through reinsurance companies that do not run through dealer statements. A Toyota dealer making $\$ 2 \mathrm{M}$ at his store is likely making another several hundred thousand dollars in his reinsurance company, for instance.

PUBLIC COMPANY F\&I PER UNIT RETAILED
Weighted Average Same Store Performance - In Current Dollars


[^1]
## Combined Front and Back: Profits per Vehicle Retailed Continue to Increase

The tables below track combined front and back end profits per vehicle retailed data back to 2010. They show that on a combined basis, profits have trended up slightly in absolute dollar terms as the gains in F\&l have more than offset the declines in front-end gross.

PUBLIC COMPANY VEHICLE GROSS + F\&I PVR
Weighted Average Same Store Performance - In Current Dollars


## Note: Front end gross profit includes manufacturer incentives and other income.

Source: SEC filings; F\&I as reported for new and used combined

## Fixed Operations Growth Rebounds

According to NADA, fixed operations sales grew 4.5\% for the average dealer in 2019 compared to 2018. The public companies reported a $6.0 \%$ same-store increase in 2019. Even with a decade of same-store sales growth, franchised auto dealers still have room for more growth. First, according to a study by Cox Automotive, franchised dealers account for only $30 \%$ of the automotive repair market in the U.S. We
are seeing dealers become more effective in competing on price and convenience with independent repair shops. And second, we are currently through year six of our current SAAR plateau of around 17 million units. We don't expect UIOs, often defined by OEMs as units sold in the past seven years, to peak in the U.S. until the end of 2020, leaving room for higher fixed operations for the average dealership.

FIXED OPERATIONS GROWTH


[^2]
## Dealership Gross Is Up and Expenses Are Down

The average privately-owned dealership grew its gross profit (including other vehicle income) by $2.5 \%$ in 2019 compared to 2018, while operating expenses increased by only $1.4 \%$ compared to the prior year. Dealership selling, general and administrative expenses as a percent of gross profit decreased from $83.5 \%$ in 2018 to $83.1 \%$ in 2019.

Dealers have become more efficient in several areas. First, they have reduced their advertising expense as a percentage of gross profit as they continue to move into digital media. Also, rent and equivalent expenses decreased as a percent of gross profit. Dealers will also be getting some relief from lower floorplan and mortgage rates now that the Fed has reduced rates to near 0\%.

PERCENTAGE EXPENSE GROWTH YTD 2018/2019


NET FLOORPLAN INTEREST INCOME / (EXPENSE)
Per New Retail Vehicle (2015-2019)


Source: NADA

## Dealership Profits Are Increasing

The net outcome of the trends listed above is that average profits at privately owned dealerships increased $4.8 \%$ in 2019. Very few predicted dealers would generate higher profits after three years of declining profits. The public companies reported an average increase of $7.6 \%$ in adjusted operating earnings during the same period. This remarkable performance shows the flexibility of the auto
retail model. Dealers compensated for declining new unit sales with higher sales of used units, higher F\&I profits and a greater emphasis on fixed operations. While profits over the last 12 months are still down $5.3 \%$ from the peak in 2015, most dealers we spoke with were pretty excited about their performance in 2019. The table below shows the annual profits at privately owned dealerships since 2010.

NADA AVERAGE PRIVATE DEALERSHIP EARNINGS


## Changes in Sales for Individual Franchises

The following chart sets forth the change in new unit sales among the major franchises in 2019. Note, this data reflects changes in total sales per franchise, so it includes fleet sales that can cloud results at the retail level. Volvo and Porsche sales jumped $10.1 \%$ and $7.6 \%$, respectively, thanks to new products taking share from rivals. Most of the volume brands saw flat to slightly declining sales. Nissan continues to struggle with sales down $8.7 \%$ while Infiniti is collapsing, down $21.1 \%$.


## Private Dealership Values Are Stable

The estimated average blue sky multiple for all franchises on an unweighted basis was 4.60x in Q4 2019 according to our estimates, down $0.2 x(4.2 \%)$ from the past three quarters. Profits per dealership increased by $4.8 \%$ compared to 2018. Applying the average 4.60x blue sky multiple to the average dealership pre-tax profit of $\$ 1.42 \mathrm{M}$ over 2019 generates an average blue sky value of $\$ 6.5 \mathrm{M}$, up $0.3 \%$ from year-end 2018. As the chart below shows, this is down $\sim 12 \%$ from the peak in 2015 but remains strong relative to historical levels.

ESTIMATED AVERAGE BLUE SKY VALUE


## Technology Disruptors Are Fading

For several years, analysts and investors have been predicting that auto dealers would begin to suffer due to several technology enabled trends.

First, people were concerned that Uber and Lyft would reduce personal ownership of vehicles. We are now seeing that these services have expanded the number of miles driven, and most people are retaining their personal vehicles. Even better, some dealers have gained significant business by selling to these commercial drivers and servicing their vehicles.

Second, much has been written about how electric vehicles would reduce the lucrative service work dealers perform due to fewer moving parts. So far, however, consumers have very little appetite for electric vehicles other than Teslas. The market share for EVs in the U.S. actually fell to $1.89 \%$ in 2019 from $1.91 \%$ in 2018. BMW and Mercedes-Benz recently announced they will not be introducing new EV models
to the U.S. that had been planned for some time. Sales of hybrid vehicles have also fallen in recent years. It's possible Federal or state governments will mandate the sale of more low emission vehicles, but consumers are showing very little appetite for them. In addition, we are hearing that Teslas may not have issues with their drivetrains, but they have plenty of other items that need fixing. Consumer Reports lists Tesla as below average in terms of reliability.

Third, the future of autonomous vehicles is getting much cloudier and many are doubting we will see these on the road in any large numbers for decades. The technological, economic, political and legal obstacles are formidable. Some of these technologies, like LIDAR assisted braking and lane keeping technology, are making their way into traditional passenger vehicles and will make driving safer and more pleasant. Consumers will likely end up driving more, rather than less, thanks to this technology.

## How Will the Coronavirus Impact Auto Retail?

The effects of the coronavirus are growing within the United States and the auto industry will suffer. Dealership sales operations in some areas of the country are being told to close temporarily and others have empty showrooms as consumers stay home. We are all praying that our healthcare system will be able to handle the spread of the coronavirus. The Federal government has cut interest rates and stepped in to provide more liquidity to the markets. A very large stimulus package is also in effect, providing hundreds of billions of dollars of income and debt relief to many people. Banks are cutting rates and deferring interest and principal payments for dealers. Finally, we expect automakers to begin to provide greater incentives to consumers to purchase vehicles. The
combined effects of these programs and policies could help auto sales to rebound later in the year. Part of this lift will be the return to ordinary demand, but we would also expect some pent-up demand from buyers who intended to purchase vehicles earlier in 2020 but decided to wait until conditions improved. Our outlook is that dealership profits for the next few months will drop significantly and many stores will lose money before recovering in the second half of 2020.

You can see the severe impact the coronavirus has had on the valuation of the publicly traded franchised retailers. Their average value increased $73 \%$ from January 1, 2019 to December 31, 2019, but has declined $49 \%$ since then.

CUMULATIVE STOCK PRICE RETURNS
PUBLIC AUTO RETAILERS VS S\&P 500 YTD 3/24/2020


A good number of dealerships, perhaps $10 \%$, were losing money before the coronavirus hit. Some of their owners may choose to close them permanently if they are unwilling to fund the losses that will likely balloon over the next several months. We can see this happening with $2-4 \%$ of the dealerships currently in operation, particularly in areas of the country like CA and the Northeast that are overdealered and where property values have appreciated significantly over the past decade. Their gains on the sale of the real estate can help to offset their operating losses. The surrounding stores will benefit as they gain more
customers without an increase in fixed expenses. The result, when we hit full recovery, is that dealerships might become even more profitable than they have been in recent years. We saw this occur partly as a result of the $1,500+G M$ and Chrysler dealerships that were terminated during the Great Recession. Profits at the remaining dealerships more than doubled from their level before the terminations, from about \$600K per year in 2015 to $\$ 1.1 \mathrm{M}-\$ 1.5 \mathrm{M}$ over the past decade even though new unit volume has been about the same as before the Great Recession.

## HAIG PARTNERS LATEST TRANSACTIONS



## BUY-SELL TRENDS

## The Buy-Sell Market Rebounded in Q3 and Q4 of 2019

In the second half of 2018, we began to see a slow-down in the buy-sell market. There were a number of reasons, but we believe the main one was buyers' concerns that we were headed for a recession. In the first quarter of 2019, we endured the Polar Vortex in the northern part of the U.S., as well as a government shutdown. But the economy shrugged these off and began to put up some surprisingly good statistics in terms of GDP growth, job creation, wage increases, and low inflation. Consumer confidence also rebounded. As more dealers realized that their financial statements were looking stronger than they had expected, their confidence in the future increased and so did their appetite for buying more dealerships.

## Private Buyers Are Active and Institutional Capital Has Returned

Thanks to healthy profits and fewer perceived long-term threats to the future of auto retail, there are a substantial number of buyers active in the market today. Many private groups are searching for tuck-ins of franchises in their current markets, and some are willing to stretch outside their current areas for top franchises and attractive platforms. We have also seen a return of family office and private equity investment in our industry. These players were dormant after the public company stock prices fell in March of 2019, but as the outlook for auto retail recovered, so did the interest of institutional capital and family offices. For instance, in the second half of last year we advised Apollo Global Management, a large publicly trade investment firm, on the acquisition of $\$ 585 \mathrm{M}$ in dealership properties across many markets in the U.S. In early March another private equity firm signed an agreement to purchase a group of dealerships we are representing in Texas. These buyers remain attracted to the high returns on investment offered by dealership acquisitions.

## Lenders Are Still Lending

We recently polled many of the leading lenders to dealers and all of them have indicated they are eager to loan more capital to dealers to help them finance acquisitions. They stated that while they are aware of the potential for near term impacts of the coronavirus on our economy and consumer confidence, they expect declines in dealership performance will be relatively short term in nature.

## Public Companies Were Returning to the Market

From January 1 to December 31, 2019, dealership stock prices increased an average of $73 \%$. This jump made acquisitions more accretive to earnings per share than other uses of cash, such as stock buy-backs, which fell $60 \%$ in 2019 compared to 2018. Management at the public companies responded to their increase in their stock prices by pursuing acquisitions more aggressively. In Q4 2019 the publics spent 73\% more than in Q4 2018: \$244M

## 360+ DEALERSHIPS Bought or Sold Since 1996

 BOUGHT/SOLD

FLORIDA
73 DEALERSHIPS BOUGHT/SOLD
\$5.2 BILLION IN VALUE

## 360+ DEALERSHIPS

## 23 YEARS OF EXPERIENCE

## \#1 TRUSTED PARTNER

## THANK YOU!

The team at Haig Partners would like to thank our clients, buyers, industry partners and associates as we celebrate these milestones.
on acquisitions for seven stores compared to \$141M in Q4 2018 for just two stores. There is good reason to believe 2020 would have been a huge year for public company acquisitions as in December Asbury announced its plans to acquire Park Place Dealerships for \$1B in Q1.

The coronavirus, however, has put a big dent in the valuation of the public retailers. Since January l, the average stock price has declined by $49 \%$ (as of $3 / 24 / 20$ ). We expect that some of the public retailers will believe their stock prices are undervalued and elect to repurchase shares rather than acquire more dealerships.

## The Impact of the Coronavirus on Auto Retail M\&A

We have been speaking with many leading dealership groups, attorneys who conduct buy-sell work, lenders who provide capital for acquisitions, and CPAs who provide due diligence and closing services for buy-sells. Based on what we have learned from these players in auto retail and from our own practice, the majority of transactions where buyers and sellers have already reached agreements are proceeding and are expected to close without major delays.

We are also seeing buyers put transactions on hold until the duration and severity of the economic downturn from the coronavirus is better known. And finally, some transactions will fail altogether. The best example of this may be Asbury Automotive's well-publicized acquisition of Park Place Dealerships. Asbury just issued a statement saying it is terminating the transaction. We can see how it would have been hard to move forward on a transaction of this size in this environment. Asbury's
market capitalization had fallen roughly $50 \%$ over the past few months to around \$1B, the same price it had offered to Park Place Dealerships.

The most recent shock we had to the buy-sell market was the Great Recession. Dealership profits fell significantly in 2008, and so did the buy-sell market. Buyers had less access to capital and were worried about how long the housing meltdown and subsequent capital crunch would last. While some dealers saw their franchises terminated and new vehicle sales plunged $40 \%+$, the average dealership remained profitable. The public companies had been spending $\$ 500 \mathrm{M}$ to $\$ 1 \mathrm{~B}$ a year on purchasing dealerships, but this figure dropped to just \$14M in 2009 before rebounding to \$500M in 2011, just two years later.

While the Great Recession was preceded by a massive real estate bubble that then required years of painful restructuring for families and banks, the current situation

PUBLIC COMPANY ACQUISITION SPENDING

seems much better. This is a health event that could pass in this calendar year. Lenders are much stronger and are still lending to acquirers. Since our economic situation is far better today than it was in 2008, we believe it is likely we will be able to rebound faster.

While it may not be wise to make predictions when the situation is changing on a daily basis, we believe that most deals in the pipeline today will close, with some taking longer than the customary timeline. But we also estimate that few new deals will get started for the next 60 days as sellers will likely want more stable conditions before entering the market.

In terms of dealership values, much will depend on the length of the impact of the coronavirus. If the impact is severe for 60-90 days and then the economy rebounds, then we expect future dealership values to be similar to those we are seeing today. But if the economy is tipped into a deep recession that appears it will linger into 2021, then buyers will offer much less for dealerships due to declining earnings. They will likely meet with few sellers, however. The lesson we learned from 2009 is that most sellers will wait for a recovery and the resulting lift in profits and prices before they put their stores on the market. Most sellers have deep financial resources and can wait until conditions are good before selling their stores. If we tip into a recession that goes into Q4 and beyond, we expect the number of buy-sells to fall sharply for a year or possibly two.

While it may not be representative of the market as a whole, we are willing to share our own transaction activity to provide some context to dealership buyers and sellers. We have closed four transactions for ten dealerships so far this year. By the end of April, we hope to close another three transactions that are under definitive agreement. And we have accepted offers on six other transactions that we hope to close by the end of July. Of these six, four of the offers were accepted in just the past two weeks after the coronavirus was evident to buyers. And we are negotiating with buyers to enter into another letter of intent on a group of six stores. We received eleven offers for all or parts of the group in March and hope to sign a letter of intent with a buyer before the end of March. Two buyers have withdrawn from transactions and we expect a few more will until conditions stabilize.

It's impossible to know what will happen in the weeks after we release this edition of the Haig Report. To date, the feedback we are receiving from many other firms involved in auto buy-sells along with our own practice indicates that transactions are moving ahead with minimal impact on pricing, but some potential delays to closing.

As of mid-March, the large majority of buyers we interact with have had the following reaction to the coronavirus:

- They are expecting sharp drops in their profits for the next month or two.
- They believe the media frenzy will subside as health organizations begin to come up with solutions as they have with the flu, Zika, SARS, Ebola and other life-threatening ailments.
- They are buying dealerships to hold 20+ years, so they are not overly concerned that a short-term event will reduce their long-term returns on investment.


## Vendor Spotlight | Strolid Inc.

Strolid Inc. provides dealers a comprehensive software-based solution that delivers personalized real-time conversations with customers by leading industry-trained professionals. Strolid's technology allows dealership management to consolidate all lead handling communications into one easy to use BDC solution. For example, the appointment show ratio with Strolid is about $50 \%$, more than $2 x$ the average of the leading competitors.
"We now know we made the right choice $21 / 2$ years ago when we chose Strolid to outsource our BDC department. Strolid's team is focused, professional, and excellent at what they do. Because of our partnership with Strolid we are selling more cars, scheduling more appointments, and increasing customer retention." Jason Branham - Marketing Director Asbury Automotive.

## FRANCHISE VALUATION RANGES

We have been involved in the purchase and sale of 360+ dealerships in our careers dating back to 1996. Each quarter we contact many leading dealer 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. We want to emphasize that these evaluations were based on the transaction activity we saw up until the coronavirus began to impact dealership operations. Since the coronavirus hit we have negotiated and accepted offers on four dealership groups and their values were in line with values we were seeing before the coronavirus hit. These buyers see the coronavirus as a short-term shock to the U.S., and expect conditions to return to normal around the time the transactions would close since there is usually a 90-150 lag between signing a letter of intent and closing.

## Dealership Valuation Methods

There are various ways to value dealerships. Since many dealers employ it, 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. Pretax 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 motivated buyers in competitive situations will pay for the goodwill of average dealerships and we note any upward or downward changes from Q4 2019. We remind the reader that each dealership transaction is unique, and dealerships may trade above or below the ranges we describe in this report. See page 5 for factors that could increase or decrease the multiples paid by buyers from what we estimate here.

## Luxury Franchise Blue Sky Multiples

## Porsche

Porsche sales increased 7.6\% in 2019, driven heavily by a $77 \%$ increase in Cayenne sales. Porsche reached the top of Consumer Reports' 2020 brand rankings, while also boasting the highest road-test score. Profits per vehicle are high, and the upcoming Taycan EV is sold out for many months to come. Finally, another EV that consumers appear to really want to own. Many dealers are having to invest for facility upgrades including rapid EV chargers. Many dealers are seeking this franchise.
Higher multiple range: $8.5 x-9.5 x$.

## Mercedes-Benz

Mercedes-Benz sales increased $1.0 \%$ in 2019, driven by A-Class and SUV sales. This marks the reversal of a two-year sales slide. $\mathrm{M}-\mathrm{B}$ is positioned to gain market share due to the arrival of newly redesigned SUVs and crossovers and it is preparing to compete with other EV manufacturers when the EQC goes on sale in 2021. It's been a rough couple of years for $\mathrm{M}-\mathrm{B}$, but dealers say the franchise has turned the corner and profits have jumped significantly in recent months. M-B profits remain stronger than almost any other franchise. Same multiple range 6.5x-8.0x.

## Lexus

Lexus sales decreased $0.1 \%$ in 2019. Dealers are a little critical about aging and uninspiring products, and Lexus could do better in the larger luxury-vehicle segment which has grown significantly in recent years. Despite these product challenges, Lexus' reputation remains
rock solid with consumers. It was named the top brand for resale value, and one of the top five brands for customer satisfaction by J.D. Power. And dealers love Lexus for its constructive approach to boosting dealer profitability and realistic facility requirements. There are only 241 Lexus dealerships in the U.S. so values are strong when they become available. Same multiple range $6.5 x-8.0 x$.

## BMW

BMW sales rose $4.4 \%$ in 2019 as the brand is hitting on all cylinders at the moment. It boasts a mix of products well-suited for current demand and is scheduled to release twelve new products in 2020. It also plans to produce three new EV models in 2021. A number of dealers have told us their margins are up significantly since BMW made dealers stop advertising below MSRP. The BMW stores we have seen recently have had impressive profits, with new vehicle gross profits, including incentives, at over \$6,000 in FL, IL, and even in areas in the Northeast and CA where grosses are typically depressed. Same multiple range $6.5 x-8.0 x$.

## Audi

Audi sales improved by $0.4 \%$ in 2019 , helped by new products. Audi, as a part of the VW family, has a lot of EV models coming which should help in states like CA. Consumers like the products, but dealer profitability is less than at other premium luxury stores due to compressed new-vehicle margins, lower unit sales per store, high rents from expensive facility requirements, and depreciation from service loaner fleets. For these reasons, Audi trades a bit behind its peers. Multiple reduced by $0.5 x$ on top and bottom of range: 6.0x-7.0x.

## Jaguar / Land Rover

Overall, JLR sales were up 2.6\%. Jaguar sales rose 1.9\% (due heavily to I-Pace model sales) and Land Rover sales rose $2.8 \%$. Land Rover accounts for $3 / 4$ of the sales at these stores, and all of the profits. Range Rovers and Range Rover Sports continue to draw wellheeled buyers who are willing to pay $\$ 10,000$ grosses. Service bays are busy, partly due to poor reliability, but consumers are loyal to the Land Rover product. The upcoming Defender model looks like a big hit with dealers taking lots of deposits. Jaguar needs to reduce its product mix as some models simply do not sell. It's unfortunate JLR is so rigid on its expensive Arch showroom requirements as the Jaguar side sits empty, and probably makes Jaguar shoppers wonder if they are making a good choice. Since there is no cosmetic difference between the showrooms, why not combine them into one smaller space and reduce the overall expense?
Same multiple range: 6.0x-7.0x.

## Volvo

Volvo sales rose a whopping $10.1 \%$ in 2019 as the company sold more vehicles in the U.S. than it has in a dozen years. Dealers have noted that profitability is not where they would like it to be, but it is improving and more models are on the way to broaden the lineup. Polestar, Volvo's all-electric luxury performance startup, has been very active in designing new models, which has excited dealers and raised expectations regarding Volvo's future. Same multiple range: 4.0x-5.0x.

## Acura

Acura sales are down $1.0 \%$ in 2019. Executives and dealers alike are optimistic that upcoming redesigned crossover and sedan models have the potential to boost U.S. sales as much as $6.0 \%$ in 2020. Until Acura dealer-ships see a boost in profits, franchise demand is likely to remain tepid. Multiple reduced by 0.5 x on top and bottom of range: $2.5 x-3.5 x$.

## Infiniti

Infiniti's sales plummeted $21.1 \%$ in 2019. Every model was down and there is little new product on the horizon to rescue dealers who are looking at a lot of red ink on their statements. Many dealerships are not profitable and have been forced to focus mostly on used car sales. We are also seeing some Infiniti stores closing as dealers would rather have empty buildings than continue to fund losses. We are aware there is a restructuring in the works at Nissan, the parent company. Some dealers are gravely concerned about the future of this franchise. Due to the sharp drop in sales and profits at Infiniti dealerships, we are moving our estimated value from a multiple of pre-tax earnings to a flat dollar range. Valuation range: \$0-\$2,000,000.

## Cadillac

Cadillac sales are up $1.0 \%$ in 2019. This marks the brand's first sales increase since 2015. Cadillac plans to reveal a midsize electric crossover in April 2020, and a redesign of the iconic Escalade is scheduled to launch in Q3 2020. These models should improve showroom foot traffic, but there remain too many Cadillac stores to substantially raise dealership profits. Value range: $\mathbf{\$ 0} \mathbf{\$ 2 , 0 0 0 , 0 0 0}$.

## Lincoln

Lincoln sales are up $8.3 \%$ on the year. The brand is partnering with Rivian to develop an electric vehicle but has not provided an expected release date yet. Lincoln's standalone store program has received complaints and a lawsuit from the New Jersey Coalition of Automotive Retailers, referencing costly showroom makeovers and unfair discount and compensation rules. Value range: \$0\$2,000,000.

## Mid-Line Import Franchise Blue Sky Multiples

## Toyota

Toyota sales dropped by $2.0 \%$ in 2019, but dealers were still more profitable overall. Toyota dealerships are in high demand due to the enviable balance of car and truck models, strong product cadence, high sales per location, and big fixed operations. Toyota ranked second in the 2019 U.S. Automotive Brand Loyalty Study by J.D. Power of Mass Market Brands with a loyalty percentage of 59.5\%. Almost every dealer puts this franchise at the top of their shopping list for acquisitions. Same multiple range: 5.5x-6.5x.

## Honda

Honda saw a $0.3 \%$ increase in sales through 2019. Although newvehicle margins are weak, Honda dealerships continue to profit from strong fixed operations. Honda plans to support dealer profitability by increasing crossover advertising, which should be reinforced by the arrival of its first electrified crossover, the CR-V hybrid, in 2020. Customers remain intensely loyal to this franchise, helping it rank third in J.D. Power's study of Mass Market brand loyalty. We hear some dealers complain that Honda does not provide the same level of incentives and retail support as Toyota, and they want a traditional pickup to compete with Toyota. Same multiple range: $5.5 x-6.5 x$.

## Subaru

Subaru sales improved by $2.9 \%$ in 2019 and this seems to be the expected annual growth for the next few years. The company has roughly doubled the number of vehicles sold over the past six years and is also coming off its llth straight year of U.S. sales records. Its extreme dedication to customer loyalty earned it the top spot in J.D. Power's brand loyalty study. Fixed operations are soaring as sales increase every year. Many retailers lack the service capacity to handle this rapid sales growth, but dealers are making the necessary investments to better prepare for future service requirements. Subaru continues to maintain the lowest inventory levels in the industry which helps keep margins higher than at Honda or Toyota but less than at luxury stores. Demand for these dealerships has boomed, and dealers are willing to pay big prices in some markets. We are starting to see Subaru stores making over \$5M in some areas. Same multiple range: 5.0x-6.5x.

## VW

Volkswagen sales were up $2.6 \%$ in 2019. The diesel emission scandal led the company to reinvent itself. It has also increased sales of higher-margin vehicles, improving operating profit. The next wave of products includes many EVs. The brand has promised dealers to reimburse up to half of the costs incurred throughout the process of investing and preparing dealerships to sell EVs. VW may also
reimburse up to $75 \%$ of marketing costs associated with EVs. This could be a good time to invest in the franchise particularly in areas like CA as Volkswagen will be a future leader in the EV industry. Same multiple range: 3.0x-4.0x.

## Kia

Kia sales rose $4.4 \%$ on the year, supported almost entirely by the 2020 North American Utility Vehicle of the Year, the Telluride. We have heard of big grosses on Tellurides - almost Porschesque. As Kia's mix of cars/CUVs continues to improve, dealers are seeing an improvement in dealership profitability and they are happier than they have been for several years. There is still room for improvement regarding fixed operations and F\&I. Same multiple range: $3.0 x-3.75 x$.

## Hyundai

Hyundai saw a 3.2\% increase in 2019 sales which can be attributed to the new full size SUV, the Palisade. Like its Kia cousin, the Palisade is selling well over sticker in many markets. Hyundai's first pickup is also scheduled to be released in 2021. We hope it performs more like the Tacoma than the Frontier. The company recently released its Complimentary Maintenance program, which provides new vehicle owners with free routine maintenance for three years/36,000 miles. Dealers have a lot to celebrate, including a promising product pipeline and a recently revamped dealer compensation program. Some, however, have concerns that CEO Jose Munoz will try to establish some of the stair-step programs and wholesale pressure that existed at Nissan when he was the North American leader there and caused that franchise deep distress. Same multiple range: 3.0x-3.5x.

## Mazda

Mazda sales have fallen $7.3 \%$ throughout 2019. The brand has decided to focus more on upscale models than its current mainstream models, but this transition is not easy for any brand in any industry. Early sales of the new CX-30 crossover are encouraging, so some dealers are optimistic that 2020 will see an increase in sales momentum. Despite some attractive products, few dealers target this brand. We have been involved in four group transactions over the past year with Mazda stores and they brought little value. Multiple reduced by $0.5 x$ on top and $0.75 x$ on bottom of range: 2.0x-3.0x.

## Nissan

Nissan sales slumped $8.7 \%$ in 2019 as the company continues to experience the lingering effects of the Ghosn scandal and dealers' distaste for its business model. Corporate turmoil has led to an aging lineup, further dragging down dealer profits. The new CEO, Makoto Uchida, has noted that restructuring will be more extensive than originally planned. The company has pledged to speedup new product launches and offer the newest portfolio of all Japanese brands in a year. Higher incentives, advertising and financial incentives have helped sales in the past 45 days. Some Nissan stores across the country are generating decent profits, but many are losing money. Management in the U.S. has not yet stabilized, giving concern to many dealers. It doesn't feel like we have hit the bottom at Nissan yet. Multiple reduced by $0.75 x$ on top and bottom of range: $2.0 x-3.0 x$.

## 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 dropped $3.7 \%$ in 2019 largely due to car sales dropping $29 \%$ as it retreats from this segment to focus on trucks and SUVs. Many dealers applaud the promotion of Jim Farley to COO, but investors have been shunning the stock due to Ford's listless performance. On the bright side, the new Ranger has been selling well and reservations for the upcoming electric Mustang Mach-E crossover are full. With so many Ford stores on the market and little momentum, we are reducing our valuation slightly. Multiple reduced by $0.5 x$ on top and bottom of range: $3.0 x-4.0 x$.

## Chevrolet

Chevrolet sales decreased by $3.8 \%$ in 2019. The strike hurt a little bit, but most dealers had adequate inventory to meet demand. A number of dealers complain that GM is spending too much capital and engineering resources on EVs and autonomous vehicles and not enough on products that people want to buy today. Some help is coming, however. Consumers are excited about the upcoming Corvette. Demand is five times more than what GM predicted and the car was recently named the 2020 North American Car of the Year. High grosses on Corvettes will boost many bottom lines around the country when they begin to show up in meaningful numbers. Redesigned full-size Tahoes and Suburbans should also arrive this year. With so many Chevrolet stores on the market and little momentum, we are reducing our valuation slightly. Multiple reduced by $0.25 x$ on top and bottom of range: $3.25 x-4.25 x$.

## FCA (Chrysler-Jeep-Dodge-Ram-Fiat)

Sales are down 1.4\% in 2019. Chrysler sales dropped $23.5 \%$ and Fiat plummeted $40.7 \%$, and Jeep sales are down $7.2 \%$. The highly anticipated Jeep Gladiator's sales slowed down after a hot start, but dealers plan to challenge other brands in volume with heavy transaction discounts made possible by the model's high-profit margin. Ram was the only brand that realized an increase in sales at $17.7 \%$. Ram has enjoyed high margins with some of its larger trucks and is looking to increase future volume as well. Executives are enthusiastic about a favorable model mix and high production efficiency but are looking to improve North American volume. Same multiple range: $3.25 x-4.25 x$.

## Buick-GMC

Buick sales were flat throughout 2019, with less than 0.1\% growth. GMC sales increased by $1.5 \%$. Despite its tiny market share, Buick placed first in J.D. Power's 2019 U.S. Sales Satisfaction Index Study for mass-market brands. Dealers have reported lost SFE incentive money, but the brand has listened and is attempting to improve on dealer issues. New car margins continue to decrease, but dealers are optimistic that an upcoming enhanced portfolio will improve profitability. Redesigned Yukons are on the way. With so many B-GMC stores on the market and little momentum, we are reducing our valuation slightly. Multiple reduced by $0.25 x$ on top and bottom of range: $3.0 x-4.0 x$.

## KEY TAKEAWAYS

The auto retail industry performed very well in 2019. We experienced a decline in new unit sales, but dealership profits were up $4.8 \%$ thanks to better performance in used, fixed, F\&l and expense reduction. The second half of the year was particularly strong. The stocks of the publicly traded groups soared $73 \%$ from 1/2/19 to 12/31/19.

The buy-sell market lagged these results, with a $13 \%$ decline from 2018 in the number of dealerships trading hands. We did see a strong recovery in buy-sells as the year went on and Q4 2019 saw a 44\% jump in dealerships sold compared to Q4 2018.

While 2020 started off strong for most dealers, the coronavirus is going to have a massive impact. We expect profits to drop sharply as consumers hunker down to get more information about the virus and how it could impact them. Dealers will likely respond by reducing their expenses until conditions rebound. The Federal government is taking extraordinary steps to stimulate the economy. Interest rates have been cut, hundreds of billions of dollars are being injected into the mortgage and bond markets, and money is being sent to consumers via tax cuts, paid sick
leave, enhanced unemployment benefits and other government transfers. Many of our more seasoned dealer friends see the coronavirus as a 60-90 day event, to be followed by a period of pent up demand that will restore a good portion of the business that has been lost.

As for buy-sells, most buyers continue to move forward to purchase the businesses we are selling. Attorneys in the buy-sell world tell us they are seeing deals move forward in their practices as well. Lenders say they will continue to fund the deals they are involved in. It seems that both buyers and lenders see the coronavirus as a short-term shock to our economy and continue to want to put capital to work.

There is no way to know what events will occur over the next few weeks that could make conditions better or worse. We hope that all of you will protect yourselves, your loved ones, your employees and your customers as best you can. Cell phones and email will work fine during this period so let's keep the communication flowing and extend help to each other however we can. We look forward to coming out the other side as a wiser, and hopefully, closer nation.

Having been involved in over 180 transactions for more than 360 dealerships, no other firm has a better understanding of the perspectives of both buyers and sellers of dealerships across the U.S. We use this expertise to create highly informative and compelling offering materials that help buyers to focus on our clients instead of other opportunities. We listen to our clients to create a customized marketing process that carefully balances their priorities of maximizing price, preserving confidentiality, and time to closing. Through our unmatched expertise, deep relationships with buyers, and well-honed processes, Haig Partners is able to produce highly desirable outcomes for our clients.

## Contact us today to learn more about your dealership's potential value



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## COMPANIES TO CONSIDER IN A TIME OF SOCIAL DISTANCING



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## Vendor Spotlight | RedCap Technologies

RedCap Technologies provides dealers with a software-based system that allows them to offer pickup and delivery for their service customers. RedCap is used by dealers of all sizes and the results are impressive. For instance, revenue per repair order is up $20 \%$, service loaner costs are down $30 \%$, and appointment no-shows are near zero. The cost to dealers is about $\$ 1,000$ per month plus $\$ 20$ in driver cost per pickup or delivery fee with a service loaner. RedCap is a proven way to grow your service business by increasing convenience, retention, and CSI. "RedCap has given Paragon the ability to compete head-on with Carvana, Tesla, and yes Amazon! There is no more important initiative than bringing our dealership directly to our customers." Brian Benstock, VP and General Manager of Paragon Honda and Paragon Acura

## Vendor Spotlight | AutoFi

AutoFi is a financial technology company transforming the way cars are bought and sold. AutoFi's platform allows auto dealers to sell vehicles digitally. Whether the customer is in the store or at home, AutoFi allows car dealers to engage and transact remotely by connecting buyers with lenders in a fast, easy and transparent process. AutoFi's investors include Ford Motor Credit Company, BMW i Ventures, Crosslink Capital, and Santander InnoVentures. Now more than ever customers expect flexibility when buying a car. AutoFi enables dealers to implement a remote selling process that is concise, easy to implement, and immediately actionable. "AutoFi is an amazing tool. I have clients who start AutoFi on our website, from the comfort of their home, and complete the entire process all the way through financing, without stepping foot through our doors." Seth Opperman, Brand Specialist, Planet Lincoln


[^0]:    Source: The Banks Report and Haig Partners

[^1]:    Source: SEC filings

[^2]:    Source: NADA

