



DEALERSHIP CONSOLIDATION AND THE FUTURE OF POWERSPORTS FINANCE

October 2023

AGENDA



A

Market update

B

Consolidation overview

C

Dealership valuation

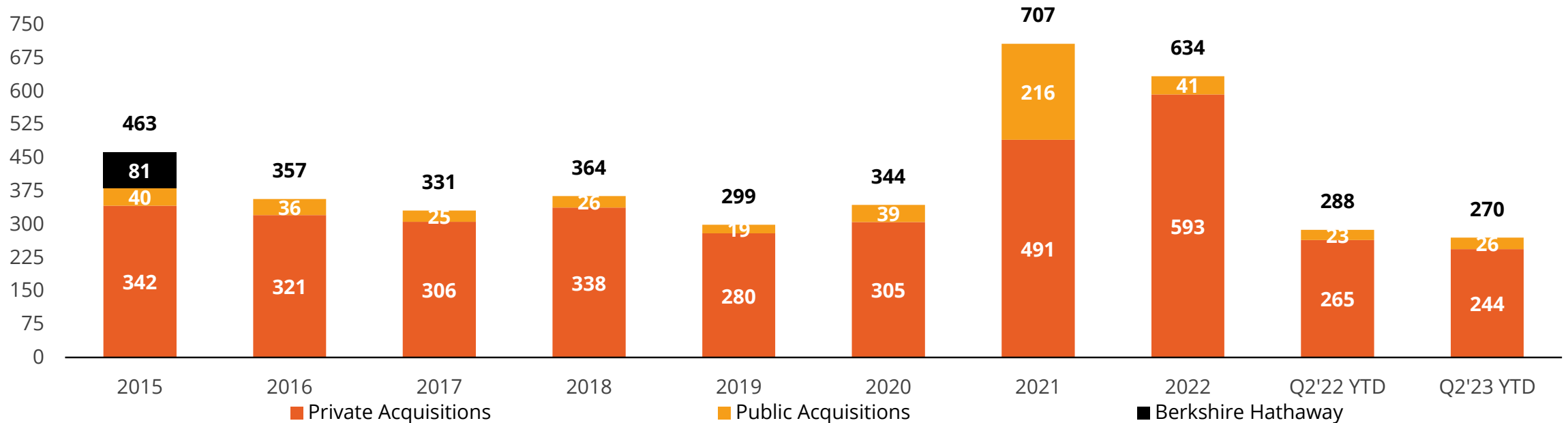


A. Market update

MARKET UPDATE

The franchise automotive retail market saw an explosion of acquisitions since 2020 and despite the slowdown from 2021 & 2022, the acquisition market is still highly active with a combination of sellers looking to exit at strong prices and buyers looking to expand their groups

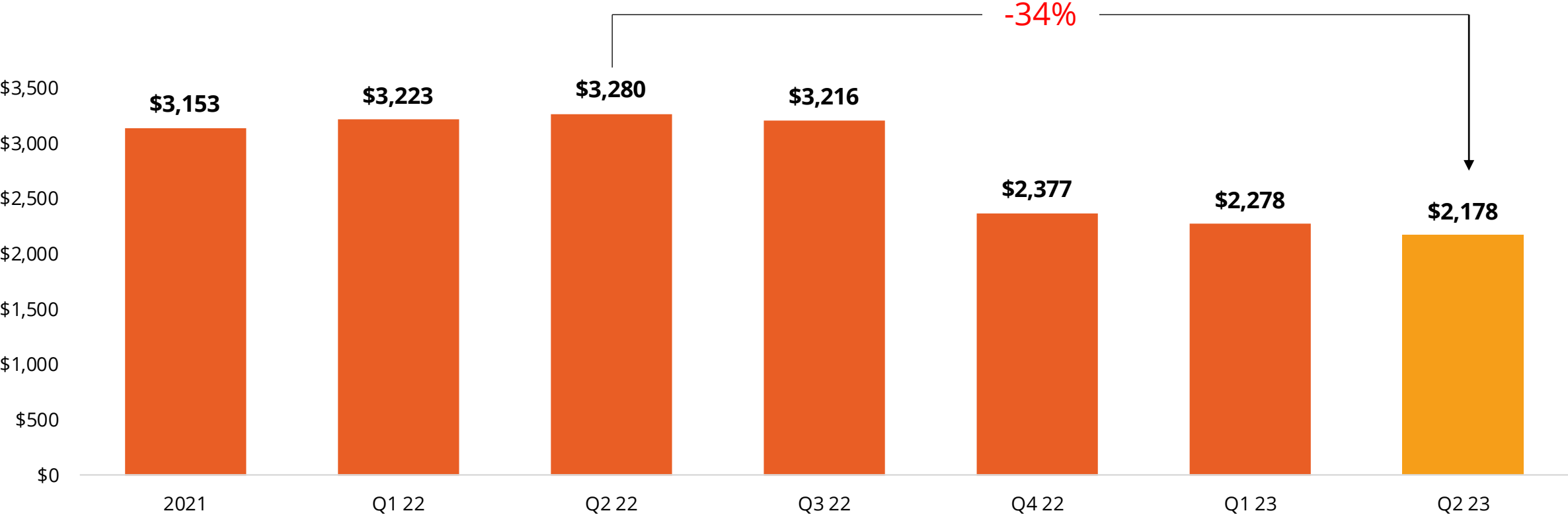
US Franchise Automotive Dealerships Bought/Sold



Source: Automotive News, SEC Filings, Press Releases, The Banks Report and Haig Partners

NEW GROSS PROFIT PER VEHICLE

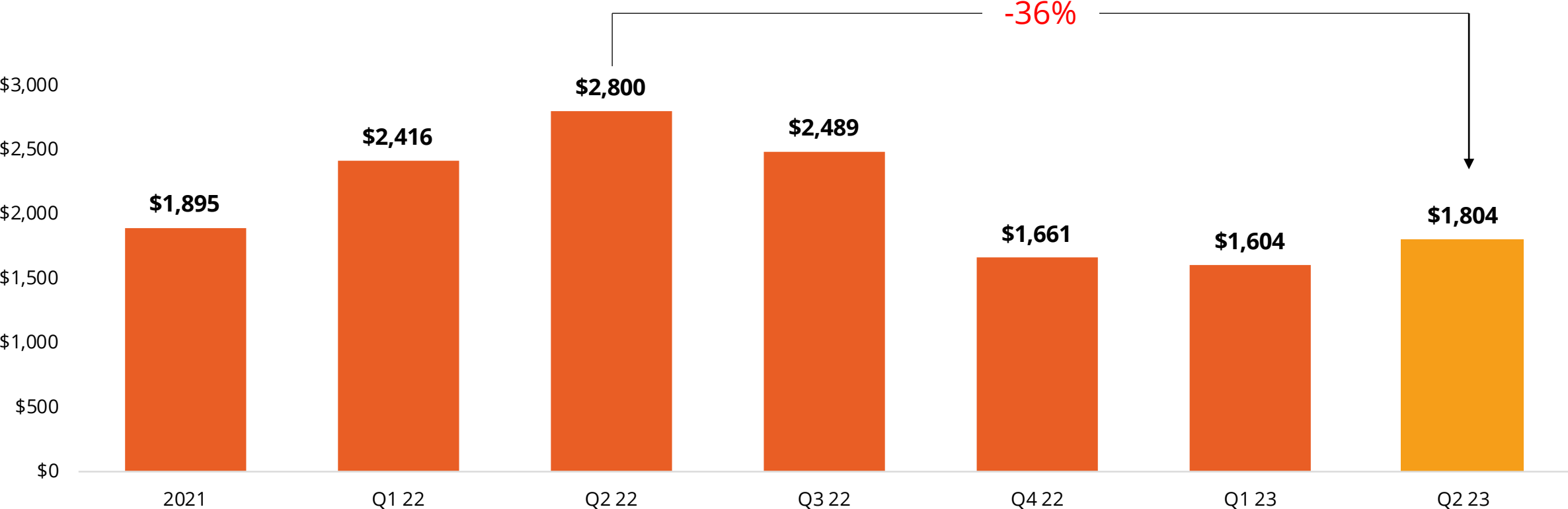
New gross profit per vehicle has decreased 34% since the Q2 2022 peak



Note: Based on RumbleOn reporting. 2021 figures based on RideNow results from 8/31/2021 – 12/31/2021. Quarterly figures may not be reflective of market averages due to small sample size
Source: RumbleOn SEC Filings

USED GROSS PROFIT PER VEHICLE

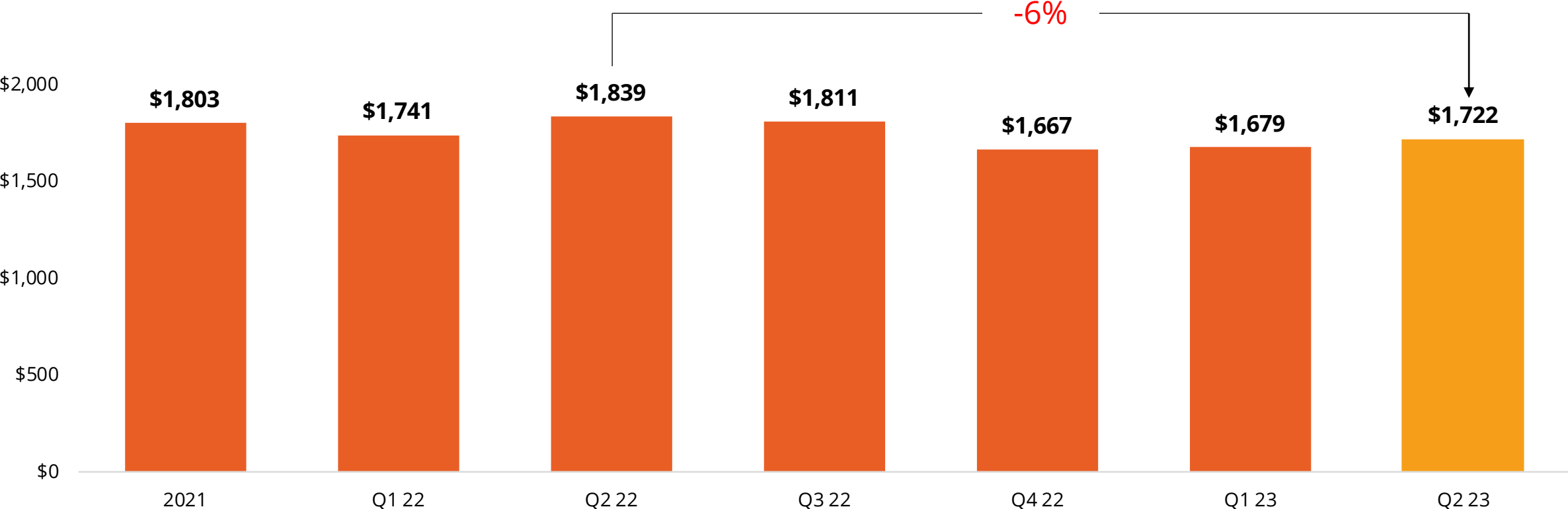
Used gross profit per vehicle has decreased 36% since the Q2 2022 peak. However, used gross profit per vehicle has been improving throughout 2023 after the used vehicle market took a hit in Q4 2022.



Note: Based on RumbleOn reporting. 2021 figures based on RideNow results from 8/31/2021 – 12/31/2021. Quarterly figures may not be reflective of market averages due to small sample size
Source: RumbleOn SEC Filings

F&I GROSS PROFIT PER VEHICLE

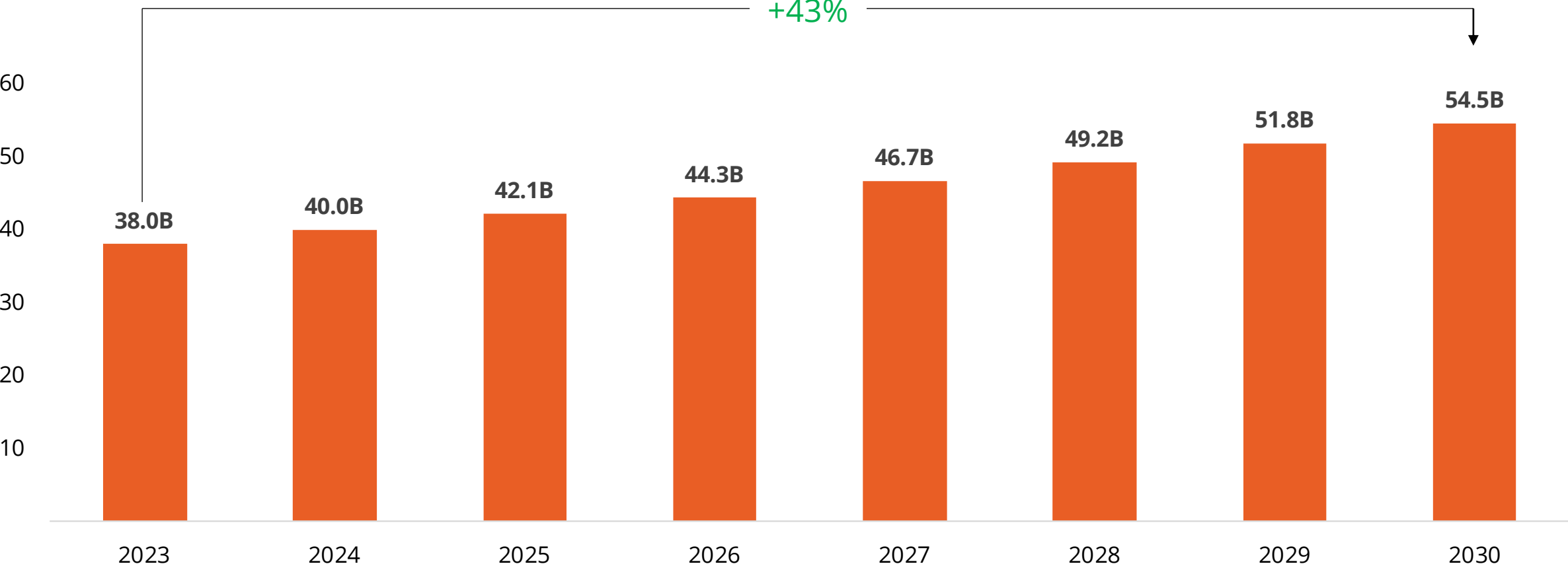
F&I gross profit per vehicle has decreased just 6% since the Q2 2022 peak



Note: Based on RumbleOn reporting. 2021 figures based on RideNow results from 8/31/2021 – 12/31/2021. Quarterly figures may not be reflective of market averages due to small sample size
Source: RumbleOn SEC Filings

POWERSPORTS INDUSTRY FORECAST

The global powersports market is projected to grow by more than \$16B by 2030, at a CAGR of 5.31%



Source: Fortune Business Insights



B. Consolidation overview

CONSOLIDATION OVERVIEW

After the boom in acquisitions seen in the automotive industry post-pandemic, major auto consolidators are turning their eyes toward the growing powersports industry for several reasons:

- Highly similar industries
- Fragmented market ripe for consolidation
- Major consolidators need to diversify their streams of revenue

HIGHLY SIMILAR INDUSTRIES

The Powersports business is similar to the automotive business and can be a bolt-on business for many automotive dealers to help increase their revenue:

- Dealer agreements
 - Automotive dealers understand franchise agreements making it an easier business for them to bolt-on
- Same departments
 - Like automotive, the profit departments are new vehicles, used vehicles, financing & insurance and service & parts
- Same consumer base
 - Auto groups have a lot of data on their consumer base and their spending habits, making the powersports business a logical business to

“Harley-Davidson is a storied brand with a rich history, passionate owners, and a **premium product lineup that is well aligned with our business model**”



Bryan DeBoer
Lithia Motors Inc. CEO

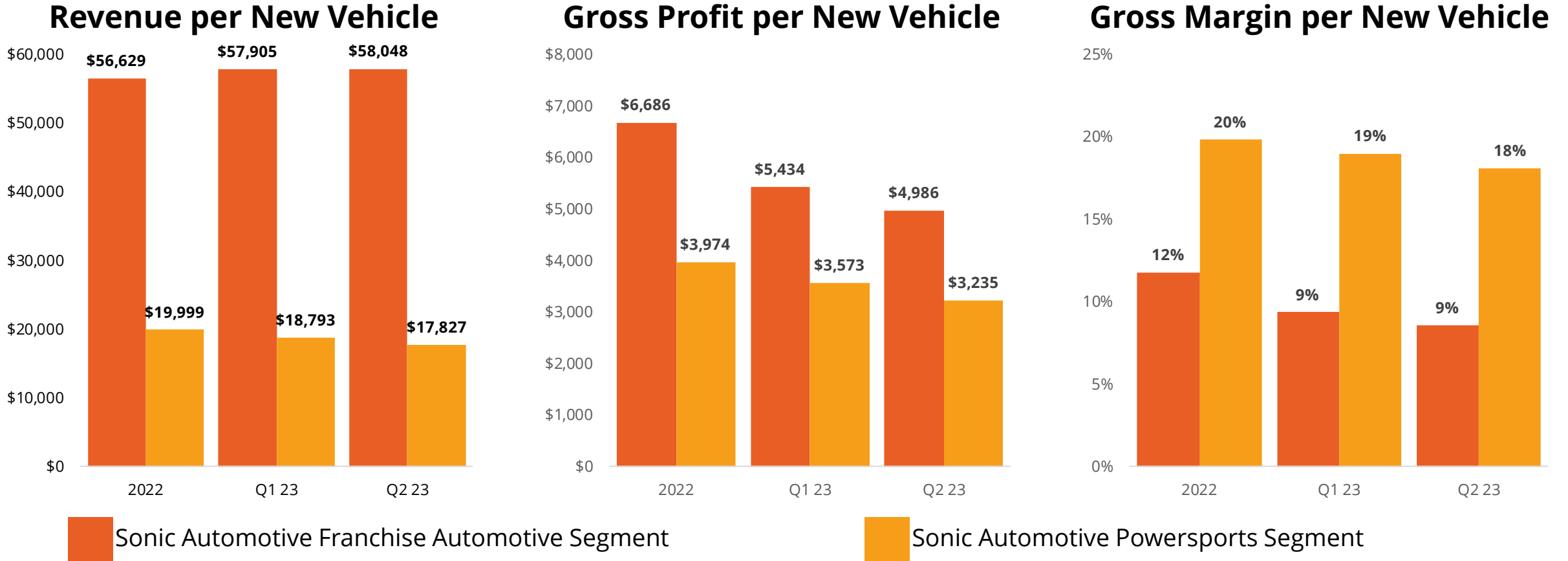
“We believe there are operational synergies with our growing powersports network... As we continue to develop our relationships with the powersports OEM, **we are increasingly optimistic about the future growth opportunities in this adjacent retail sector.**”



David Smith
Sonic Automotive, Inc.. CEO

NEW VEHICLE DEPARTMENT

Despite significantly lower revenue per vehicle and gross profit per vehicle, the new margins in the powersports business are over 2x higher than automotive

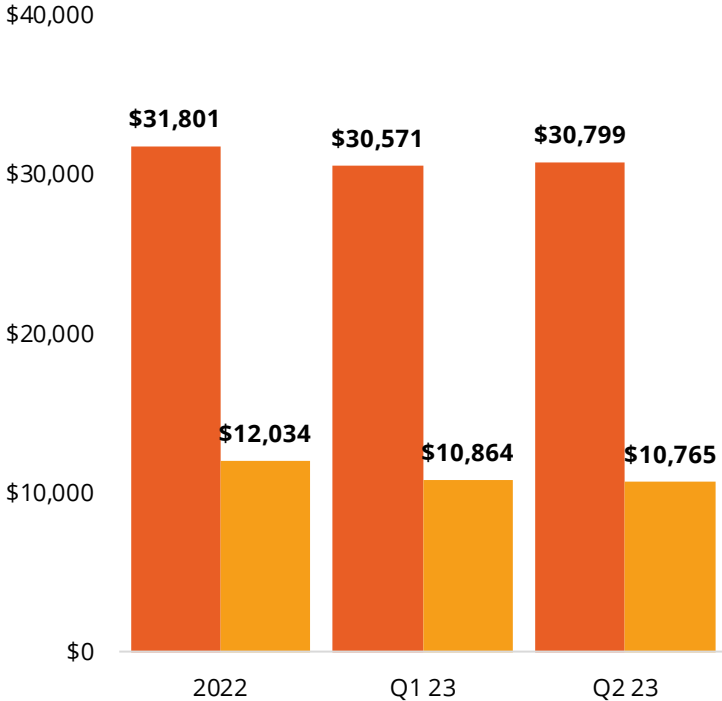


Source: Sonic Automotive SEC Filings

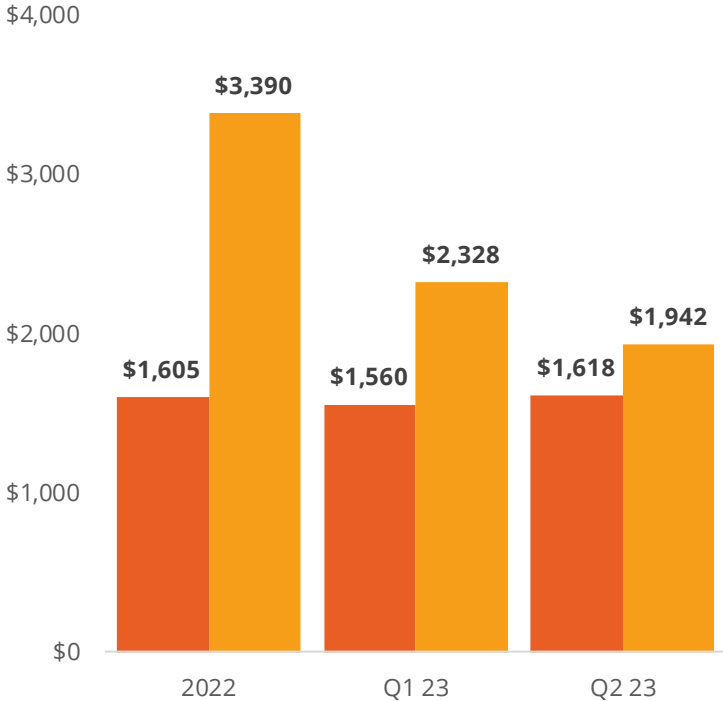
USED VEHICLE DEPARTMENT

Despite significantly lower revenue per vehicle, the used gross profit PVRs are 20% higher in the powersports business and gross margins are 3x higher than automotive

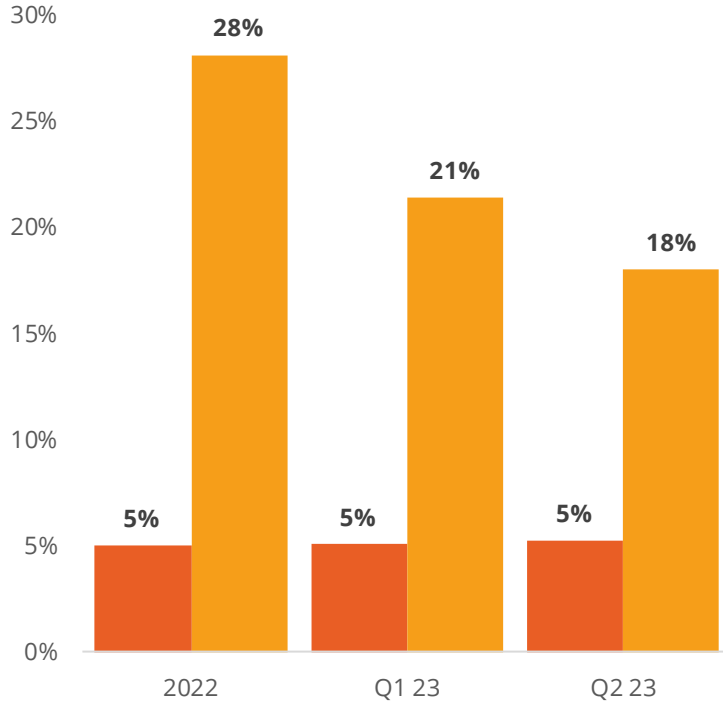
Revenue per Used Vehicle



Gross Profit per Used Vehicle



Gross Margin per Used Vehicle



 Sonic Automotive Franchise Automotive Segment

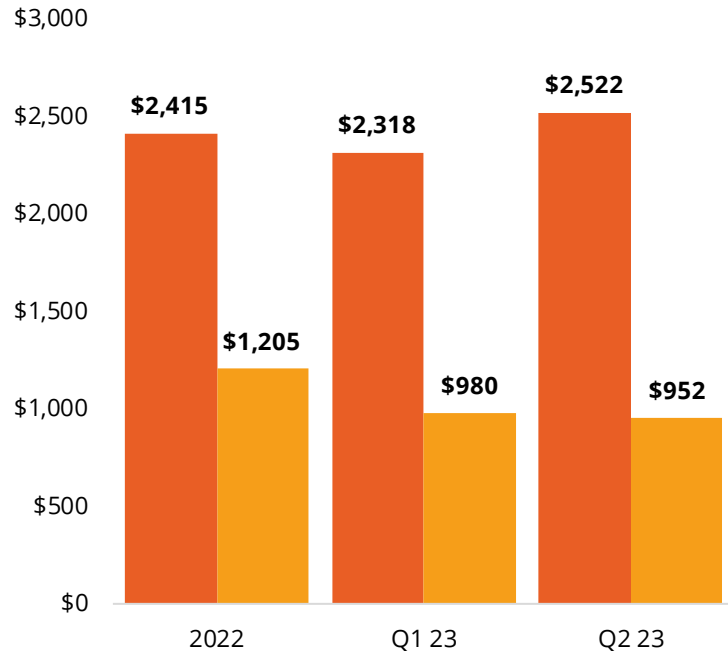
 Sonic Automotive Powersports Segment

Source: Sonic Automotive SEC Filings

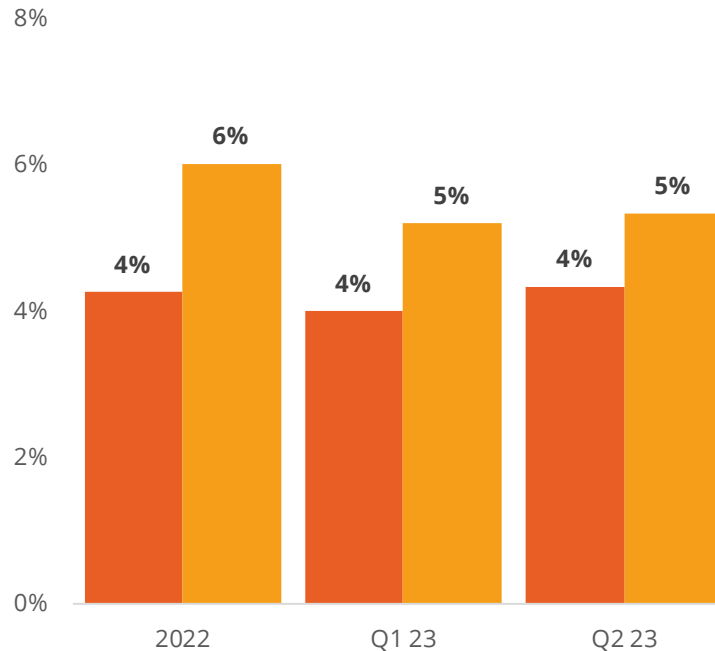
F&I DEPARTMENT

Despite significantly lower F&I gross profit per vehicle retailed, F&I PVRs as a percentage of revenue are higher in the powersports industry compared to automotive

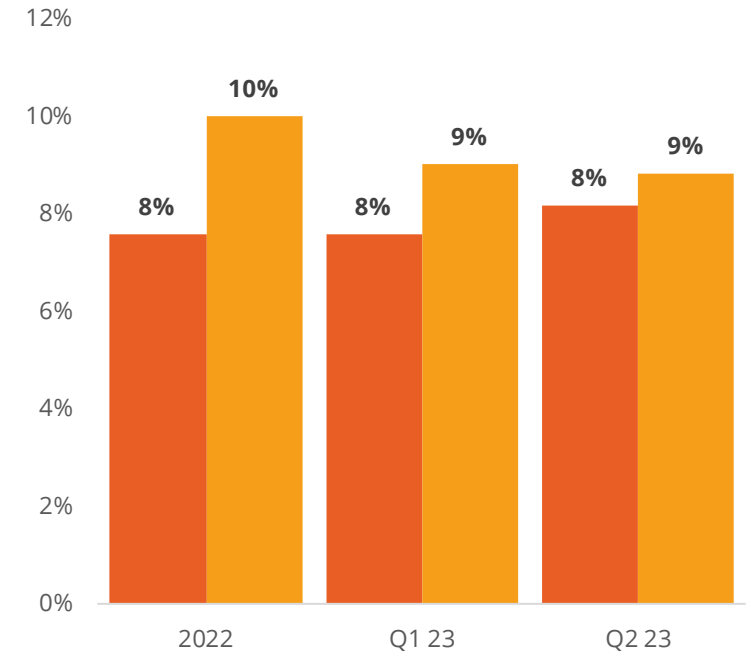
F&I Gross per Vehicle Retailed



F&I PVR % of New Vehicle Revenue PVR



F&I PVR % of Used Vehicle Revenue PVR



 Sonic Automotive Franchise Automotive Segment

 Sonic Automotive Powersports Segment

Source: Sonic Automotive SEC Filings

FRAGMENTED MARKET RIPE FOR CONSOLIDATION

- The powersports industry remains highly fragmented with a lot of single point dealer and “mom-and-pop” groups that own a couple of dealerships
- Due to the lack of consolidation the industry has experienced, consolidators within the automotive industry and entrepreneurial investors see an opportunity to consolidate the industry similar to the consolidation wave the automotive industry saw in the late 90s / early 2000s

“With more than 7,000 powersports dealers in the U.S. and **85% owning only a single dealership, this industry remains ripe for consolidation**”

RUMBLE ON Marshall Chesrown
RumbleOn, Inc. Ex-CEO

“Motos America Inc. believes that motorcycle dealership consolidation will result in the same benefits of scale seen in auto-dealer consolidations.”



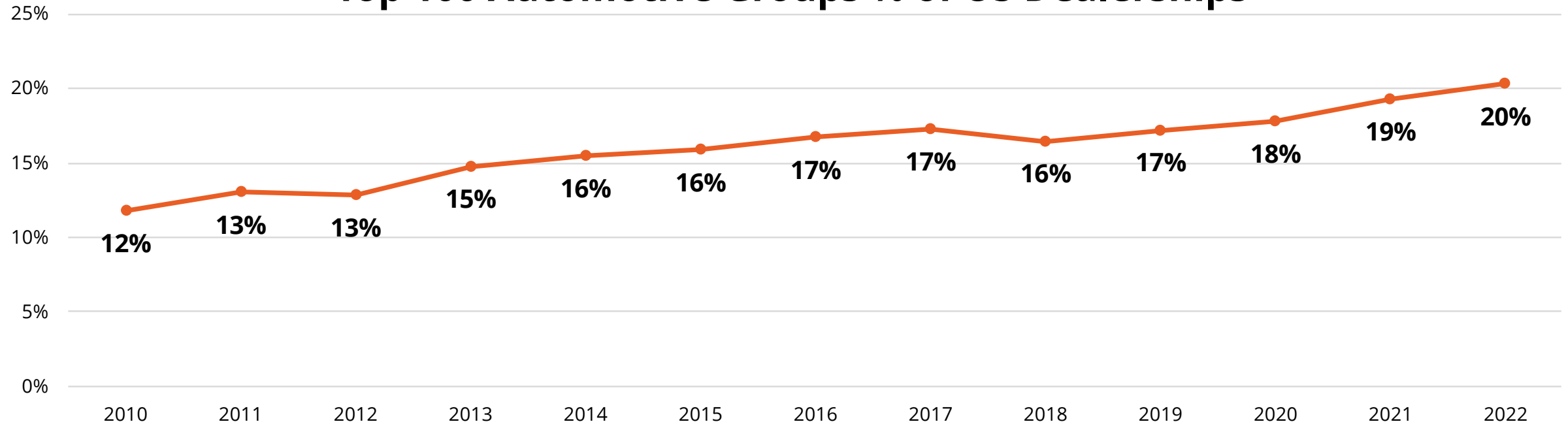
Vance Harrison
Motos America CEO

Source:

AUTOMOTIVE RETAIL DEALERSHIPS CONSOLIDATION

In the early 2000s, the automotive industry was fragmented. AutoNation pioneered dealership acquisitions, inspiring others to follow suit. By 2010, just 12% of the industry was consolidated under the Top 100 automotive groups. In 2023, this figure rose to 20%, reflecting a growing trend towards consolidation.

Top 100 Automotive Groups % of US Dealerships

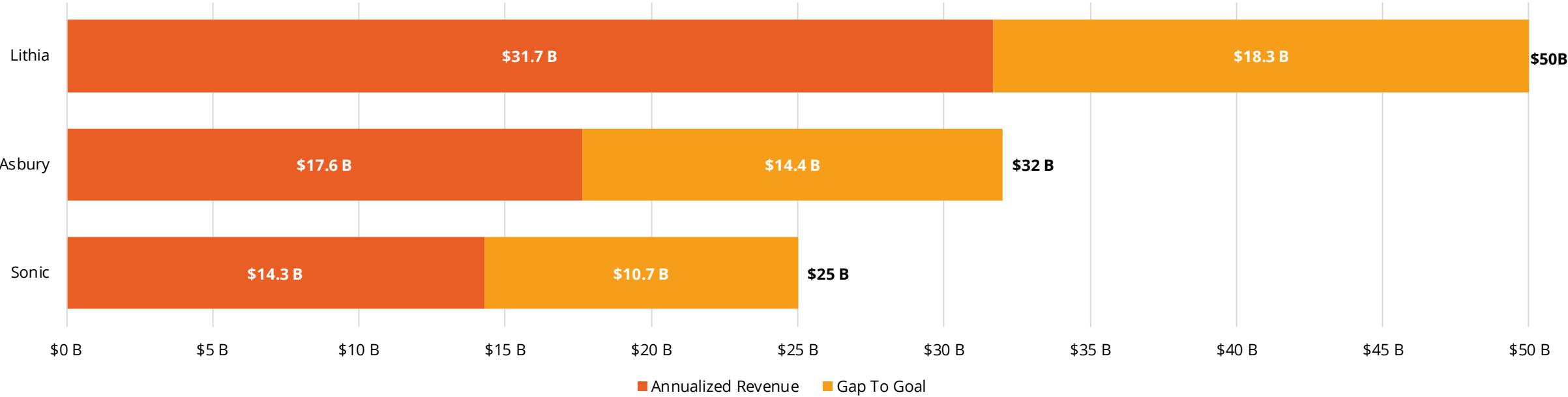


Source: Automotive News

MAJOR CONSOLIDATORS NEED TO DIVERSIFY THEIR STREAMS OF REVENUE

Three of the public automotive retailer companies have publicly announced aggressive revenue goals they are planning to hit over the next few years. Despite the flurry of automotive acquisitions made since these goals were announced, they still have a **\$43B** gap to achieve their goals.

Automotive Retail Public Company Revenue Goals



Source: SEC Filings & public company press releases

MAJOR CONSOLIDATORS TO ENTER THE POWERSPORTS SEGMENT

Several of the public consolidators have entered the powersports industry with acquisitions over the past couple of years. Additionally, we are seeing some of the private automotive groups enter the space as well.

Public dealership groups:

- Sonic Automotive acquires Black Hills Harley-Davidson
 - This brings their total powersports footprint up to 13 stores
- Lithia Motors acquires Pfaff Harley Davidson of Toronto



Private consolidators:

- Ed Morse acquires 2 stores in CO, 4 stores in TX, and 1 in MO
- Dimmitt Automotive acquires the world's largest Yamaha dealership
- John Elway Dealership Group acquires stores in CO and NE



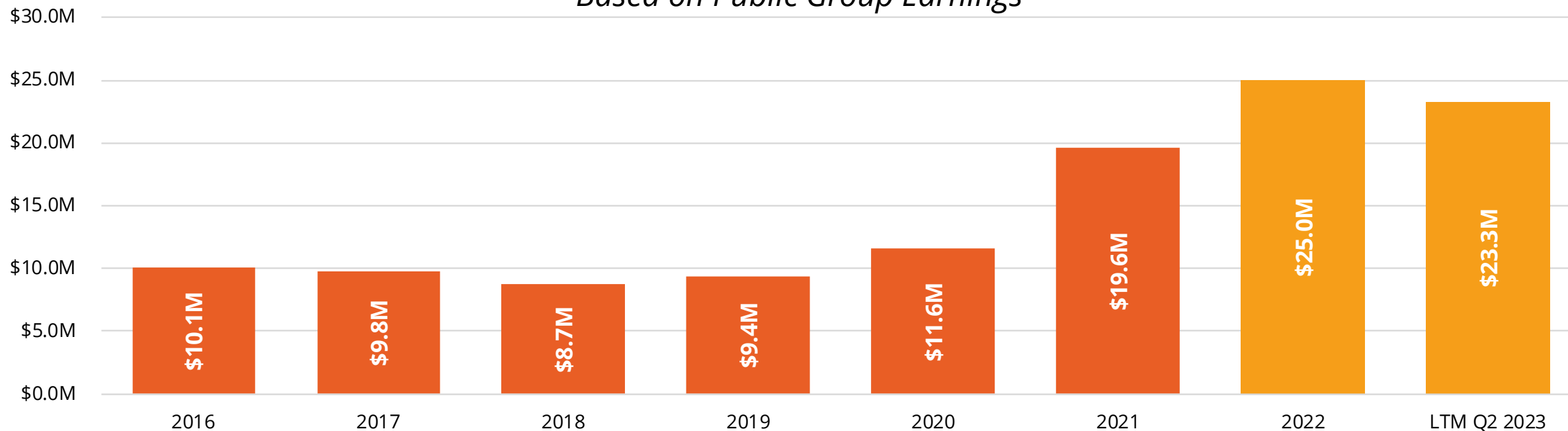
C. Dealership valuation

AUTOMOTIVE RETAIL VALUATION TRENDS

Blue sky values have skyrocketed since the pandemic in the automotive retail space. Despite a slight decrease from record values in 2022, **blue sky values are still ~2.5x higher than in 2019**

Estimated Average Blue Sky Value

Based on Public Group Earnings



Source: Haig Partners Q2 2022 Haig Report

WHAT DRIVES YOUR MULTIPLE?



Dealership performance



Metro vs. rural



Facility cost relative to earnings



Required facility improvements



Geography



THANK YOU!



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