

THE PHILLIPS REPORT

2022

Benchmarks of Value

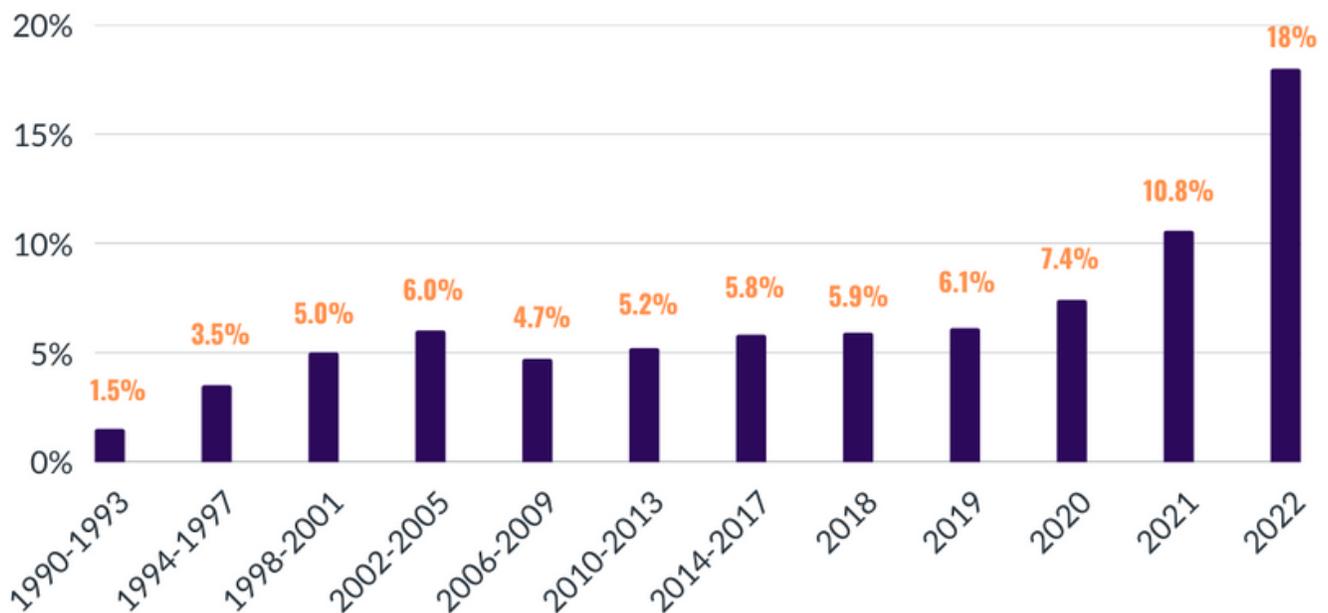
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32 Years of Dealership Values in New England and New York

HISTORICAL FRANCHISE VALUES

Business Value as a Percent of Total Revenues
1990-2022



This chart reflects the amount of Business Value paid as a percent of total revenues. Business Value is defined as the intangible value of the franchise exclusive of assets and real estate.

Information in the chart is computed from Dealership transactions completed by Nancy Phillips Associates and affiliates excluding luxury dealerships and sales to National Dealership Groups. Data is based on original values prior to any reallocation of purchase price.

DEALERSHIP VALUES IN GREATER NEW ENGLAND



Buyers Paid More in 2022

In 2022 Business Value as a percent of total dealership sales increased exponentially by 7.2%. From 1990 through 2019 Business Value did not exceed 6%. By year-end 2022, Business Value tripled to 18%.

Between 2017 and 2020 the year over year difference in the ratio of net profit to Business Value ranged from 3.3% to 3.6%. In 2021 the ratio increased to 4.7% and in 2022 it more than doubled, reaching an all time high at 11.9%.

The astronomical surge in dealership values in Greater New England beginning in 2020 meant that sellers received more than twice as much for their dealerships in 2022 vs 2020.

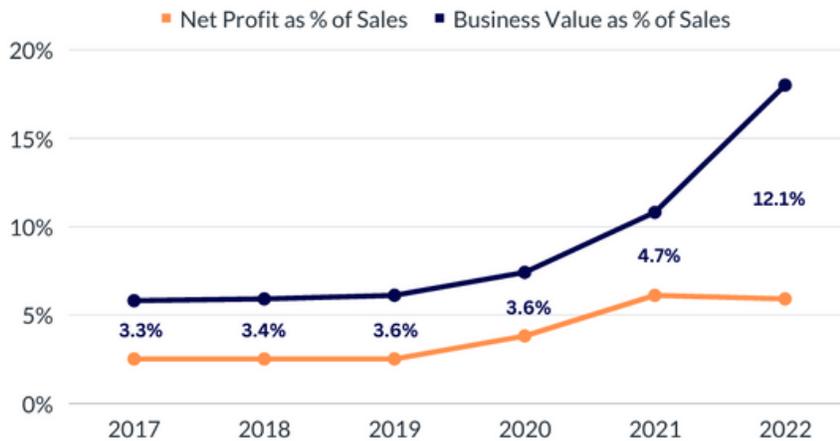
While the value of dealerships in other parts of the country began to decline in Q2 and Q3 of 2022, the value of dealerships in Greater New England remained consistently strong.

What does this Ratio Mean for Dealership Sales and Acquisitions in Greater New England?

In 2022 dealership values were higher due to the recent increase in profits. In the current economy a decline in dealership values is inevitable. However, the profits from previous years will more than make up for this years dip in business values.

To obtain a very strong price for your dealership it is imperative to procure the right buyer. Strategic acquisitions are very important to those who benefit from synergies and strategic buyers are sometimes willing to offer a premium price because of the long-term value.

RATIO OF NET PROFIT TO BUSINESS VALUE IN GREATER NEW ENGLAND



Information in the chart is computed from Dealership transactions completed by Nancy Phillips Associates and affiliates excluding luxury dealerships and sales to National Dealership Groups. Data is based on original values prior to any reallocation of purchase price.

IN 2022 NANCY PHILLIPS ASSOCIATES SOLD 41% OF THE BROKERED DEALERSHIPS IN GREATER NEW ENGLAND.

**As reported in Automotive News*

Trends and Predictions 2020-2023

Considering the auto industry makes up 3% of the GDP, the entire U.S. economy is highly dependent on its success. With vehicle sales averaging 17 million annually prior to the decline that commenced in March of 2020, the current annual vehicle volume of 14 million impacts consumers and dealers alike in many ways.

2021 Trends

- Low new vehicle production pushed many consumers to purchase used vehicles
- Lack of inventory resulted in very high average gross profits
- The cost to customers to repair the vehicles they kept longer increased substantially

2022 Influences & Outcomes

- Increased production led to higher days supply
- More product prompted a decline in overpricing and the return of discounts
- Used vehicle prices have begun a precipitous decline, reducing year end profits and equity

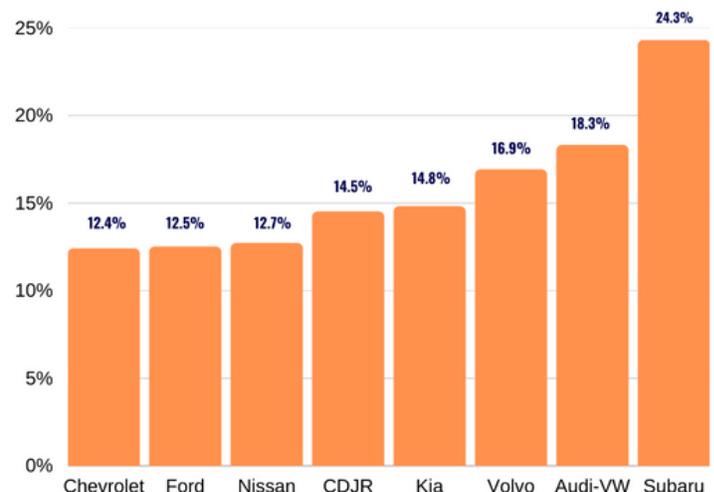
2023 Buy/Sell Market Predictions

- More dealerships will come to market. Many will be owned by older dealers or dealers with one or two dealerships seeking to sell before competition from dealer groups increases
- Inflated dealership values will adjust downward
- Slow economic growth may cause national groups to pull back further on acquisitions, creating opportunities for smaller local and regional dealers
- Economic stress may result in sales of dealerships recently purchased at overvalued pricing. Most dealerships in this category were purchased by groups who sometimes need to divest for less than they paid in order to maintain viable investment portfolios

Who will be the dominant buyer type in 2023?

Well funded buyers will continue to strategically add to their positions. They may often share a similar or contiguous sales territory with sellers. Local dealers owning several dealerships as well as regional groups will out buy national groups in New England and New York.

WHAT DID FRANCHISES SELL FOR IN 2022?



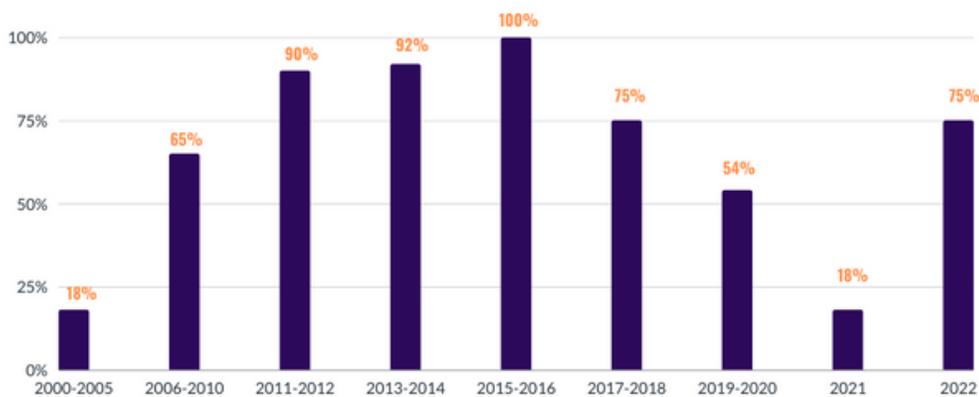
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Dealership Upgrades are Back With a Vengeance

In 2020 and 2021, as a result of the pandemic, franchisor facility requirements were sometimes less onerous and often deferred. In 2022 however, after 3 consistent years of higher profits, all bets were off! The chart below illustrates the story. In 2021 only 18% of dealerships sold needed new buildings or facility upgrades. In 2022, 75% of the dealerships sold were subject to significant new requirements. *All Electric vehicle investments and requirements are excluded from our facilities compliance assessment since they are common to all dealers.*

DEALERSHIPS NPA SOLD REQUIRING NEW BUILDINGS OR FACILITY UPGRADES

2000-2022



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Information in the chart is computed from Dealership transactions completed by Nancy Phillips Associates and affiliates and excluding luxury dealerships and sales to National Dealership Groups. Data is based on original values prior to any reallocation of purchase price.

Key Take Away

New Jeep requirements mean upgrades for most Stellantis dealers. Other franchisors have also initiated new facility requirements in conjunction with certain models and vehicle allotments. Some franchisors introduced new generation facility plans not long after the previous ones, requiring all new dealers going through buy/sells to sign on.

Every franchisor has Electric Vehicle requirements at varying levels of investment. While not considered in this report, EV compliance has become a significant issue for smaller and more rural dealerships who may choose to go to market rather than spend money they will not see a return on in the next few years.

Kia Dealers are Happier than Ever

Kia's rise over the past decade has been remarkable. A major component of the brands appeal is its strategy of making affordable, attractive and reliable vehicles. Kia's primary customers are younger, well educated, and often have families.

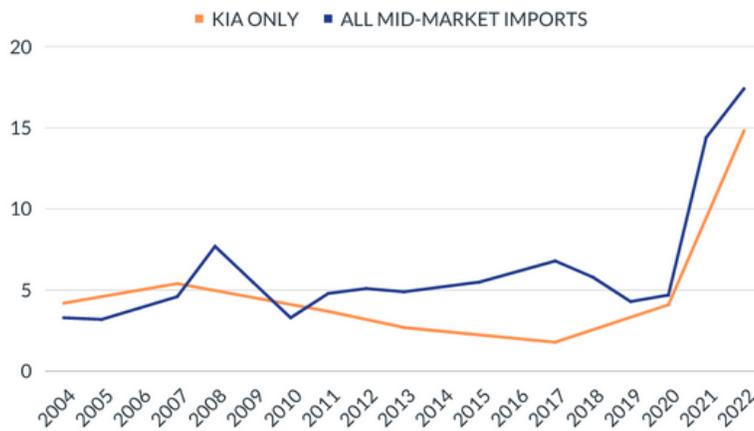
In the midst of the pandemic, chip shortages and other supply chain pressures, Kia managed to break its own sales record in 2021 and again in 2022. During this time period Kia's average dealer net profit hit 7.2%, a return comparable with Toyota and Honda.

Kia is committed to making and selling more EVs but has taken a more conservative approach than some franchisors by rolling out hybrids and plug-ins along with electric vehicles.



AVERAGE KIA FRANCHISE VALUES

Business Value as a Percent of Total Revenues
2004-2022



The Kia only numbers in the chart are derived from Kia dealerships sold by Nancy Phillips Associates throughout New England and New York from 2004 through 2022. Business Value refers to the intangible value of the franchise also commonly referred to as blue sky or goodwill.

Kia Facility Upgrades

Kia has announced an exciting new generation of facility enhancements that will give the franchise a new contemporary look that will appeal to its more youthful customer base. With approximately 780 rooftops in the U.S. Kia is selectively expanding its count with high performing dealers committed to backing the brand to the highest level.

KIA U.S. MARKET SHARE

YEAR	MKT. SHARE	UNIT SALES
2010	3.0%	356,269
2022	4.96%	678,485



SALES | ACQUISITIONS | EVALUATIONS

PROFESSIONAL - PERSISTENT - DISCREET

Evaluate Your Dealership

5 reasons why you need to know the value of your dealership

1. If you are considering whether it may be the right time to sell and want to make the most informed decision
2. To gain a valuable opinion when you are acquiring another dealership and are concerned about the sales price
3. To prepare your estate plan or provide for your family through gifting
4. For protection in the event of divorce, shareholder dispute, partnership issues or fraud
5. To convey value to partners, shareholders and family members

The value of your dealership is our business

- Our high-quality evaluation reports are prepared with firsthand expertise and a deep understanding of the industry and your immediate market area
- We take the time to understand and respond to your unique situation and support your individual needs
- Our comprehensive expertise, keen instincts and exclusive access to real opportunities represent real-time value that you and your team of accountants and advisers can rely on
- We work directly with you or whomever you designate, only involving other dealership personnel at your request
- We understand that you have a dealership to operate and we complete our evaluations with discretion and minimal interruption to your business

When It's Time to Sell...

- Our expert, market-savvy determination of the realistic value of your business creates an opportunity to document the potential of your dealership and market it accordingly
- Our deep knowledge of your market area allows us to place your dealership with the right type of buyer early in the process
- Our hands-on management guides the entire transaction from evaluation through closing
- Our dedicated Transaction Manager oversees every date and component of the approval process, ensuring that schedules are adhered to and contingencies are satisfied on time
- Our referrals to the best proven professionals support all your needs from real estate appraisal, environmental site assessment, dealership attorneys, parts inventory services and closing support



Why NPA?

Critical factors that determine value are often missed by accountants who may not be connected to the complexities of our industry, manufacturers requirements, fluctuating franchise values and constantly changing buyer and seller behaviors.

Every day, we live and breathe auto dealership sales, acquisitions and evaluations. We understand your worries and concerns, and we know the importance of being proactive in this ever-changing business environment.

***In the words of our clients:
attentive to detail, honest, fair, tenacious***

Contact us today for a confidential discussion

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603-658-0004



Rutland Subaru - Rutland, VT



Dodge-Ram & Audi-VW - Rutland, VT



Parker Chevrolet - Champlain, NY



Wells River Chevrolet - Wells River, VT

NANCY PHILLIPS ASSOCIATES

YEAR IN REVIEW

Over 30 Years in Business

**ON AVERAGE OUR
DEALERSHIPS SELL WITHIN
92% OF THE LIST PRICE**

2022 DEALERSHIP TRANSACTIONS

MA	Nissan
MA	Audi
MA	VW
MA	Kia
VT	Dodge, Ram
VT	Audi, VW
VT	Chevrolet
VT	Subaru
NH	Subaru
NH	Volkswagen
NY	Chevrolet
NH	Dealership Real Estate

CHARITIES SUPPORTED

- Court Appointed Special Advocates
- Exeter Area Scholarship Fund
- Colon Cancer Awareness Campaign
- TEAM Arts Industry Alliance
- New Hampshire Film Festival
- New Hampshire SPCA
- Portsmouth Music Hall
- The Southeast Land Trust
- Rochester Drop-in Center for Homeless Youth



NANCY PHILLIPS
ASSOCIATES

We know the Greater New England market and it's most qualified buyers and sellers

Over 30 years of experience and an excellent reputation that delivers results.



Carrie Forbes
VP of Dealer Services



Nancy Phillips
President



Elliott Berkowitz
CFO



Chris Zaremba
Financial Analyst



Ellen Kozak
Financial Analyst



Terry Bateman
Transaction Manager



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