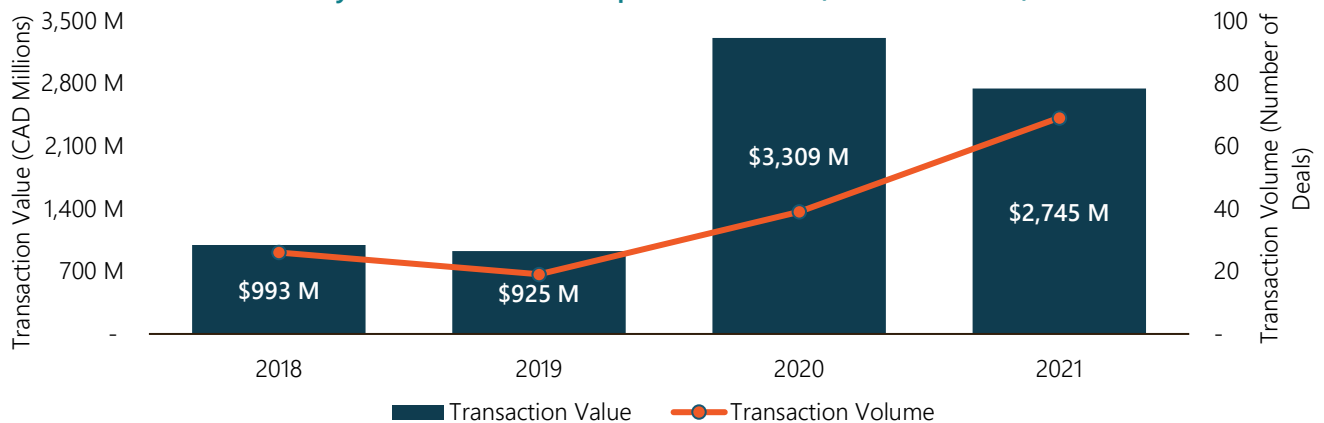


# Dealerships

Quarterly Update | Q3 2021



### Publicly Disclosed Dealership Transactions (North America)<sup>1</sup>



### M&A Market Update – Q3 2021

#### M&A Activity

- After a seemingly slow start to the first two quarters of 2021, M&A activity in the North American dealership industry has surpassed expectations in Q3. There have been 70 transactions disclosed thus far in 2021, exceeding the 43 transactions disclosed in 2020. The total transaction value is on pace to match 2020 levels, primarily attributable to Lithia Motors spending \$1.4 billion on dealership acquisitions this quarter alone. Experts expect Lithia to continue its aggressive strategy as part of its growth plan.<sup>2</sup>
- Due to the limited number of publicly traded automotive companies in Canada, substantially all the transaction value and volume in the chart noted above is related to US transactions. However, while different markets, M&A activity in the US may be indicative of overall macro trends in the M&A market, including Canada.

#### Automotive

- Dealership location, brand, and strength of management are playing increasingly important roles in valuation as different geographical markets and brands recover differently from COVID-19.
- Due to technical details, supply constraints, semiconductor shortages, and the lasting effects of the COVID-19 pandemic, light vehicle sales are down 12.3% in Q3 2021, compared to Q3 2020.<sup>3</sup>
- As part of Canada's goal of achieving net-zero greenhouse gas emissions by 2050 (Bill C-12), all new light passenger vehicles sold in Canada must be zero-emission by 2035, paving the way for some OEMs, and dealers, to respond better than others in the changing marketplace.

#### Agriculture Implement

- Accelerated consolidation amongst Case-IH, New Holland, and Kubota dealers. Valuations can vary significantly by location, size, and historical performance.
- In comparison to Q2 2021, Q3 2021 unit retail sales in Canada increased 29.2% for farm tractors and 32.5% for self-propelled combines.<sup>4</sup>

#### Heavy Truck

- Fragmented marketplace presents an opportunity of M&A activity amongst dealerships.
- In the first two months of Q3 2021 trailer orders totaled 19,436, down 141.8% from July and August in Q3 2020 with sales of 46,990. The demand is expected to rise moving into 2022 but supply chain issues may complicate production.<sup>5</sup>

1: Capital IQ. Data as of September 30, 2021; SEC Filings via Haig Report.

2: The Haig Report – Trends in Auto Retail and their Impact on Dealership Values, June 2021

3: AutoWatch, Desrosiers. September 2021 Market Watch.

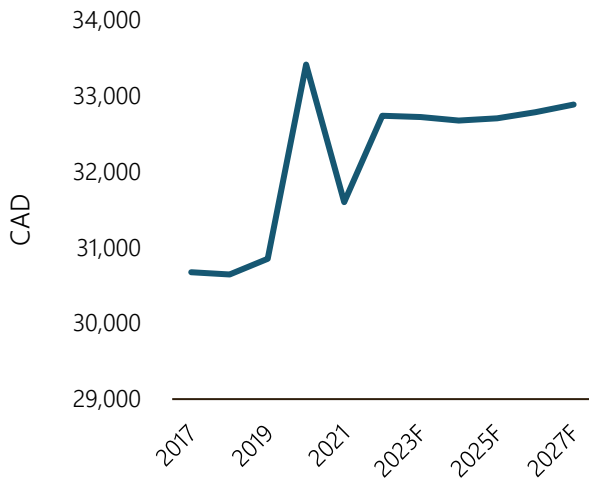
4: AEM Canada Ag Tractor and Combine Report, August 2021.

5: ACT Research, U.S. Trailer Orders. – Data for September 2021 was not available as of publication of this report.

# Macroeconomic Indicators

The key external drivers affecting the various dealership industries in Canada include: per capita disposal income, consumer confidence index, interest rates, and GDP.

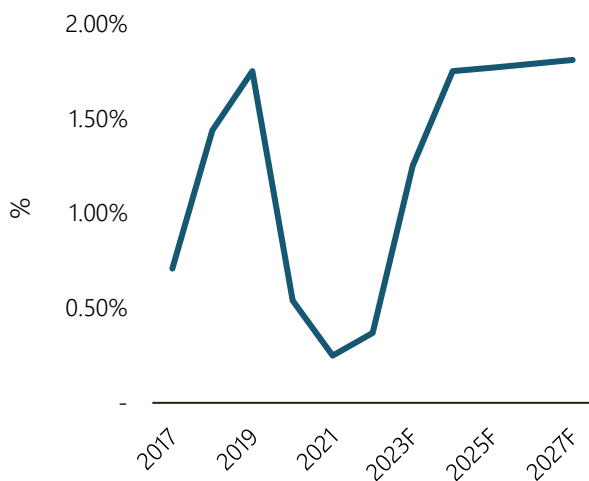
### Per Capita Disposable Income



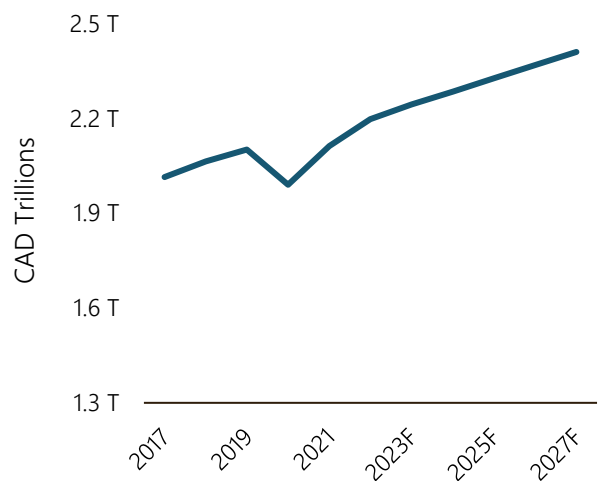
### Consumer Confidence Index

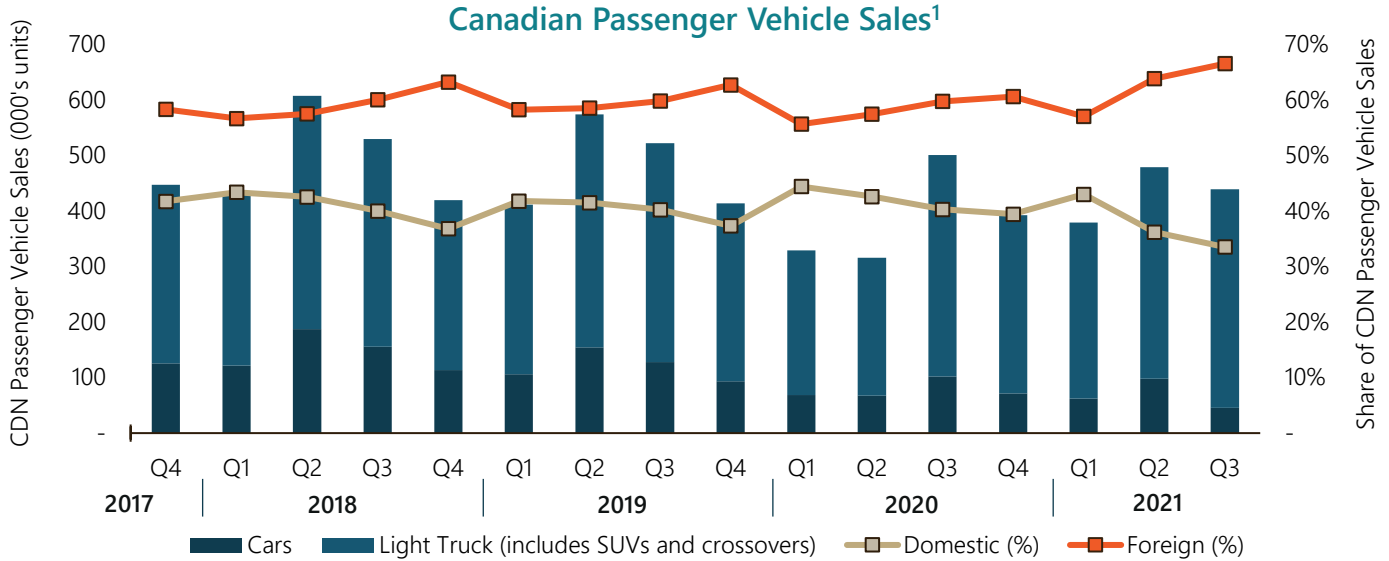


### Overnight Rate

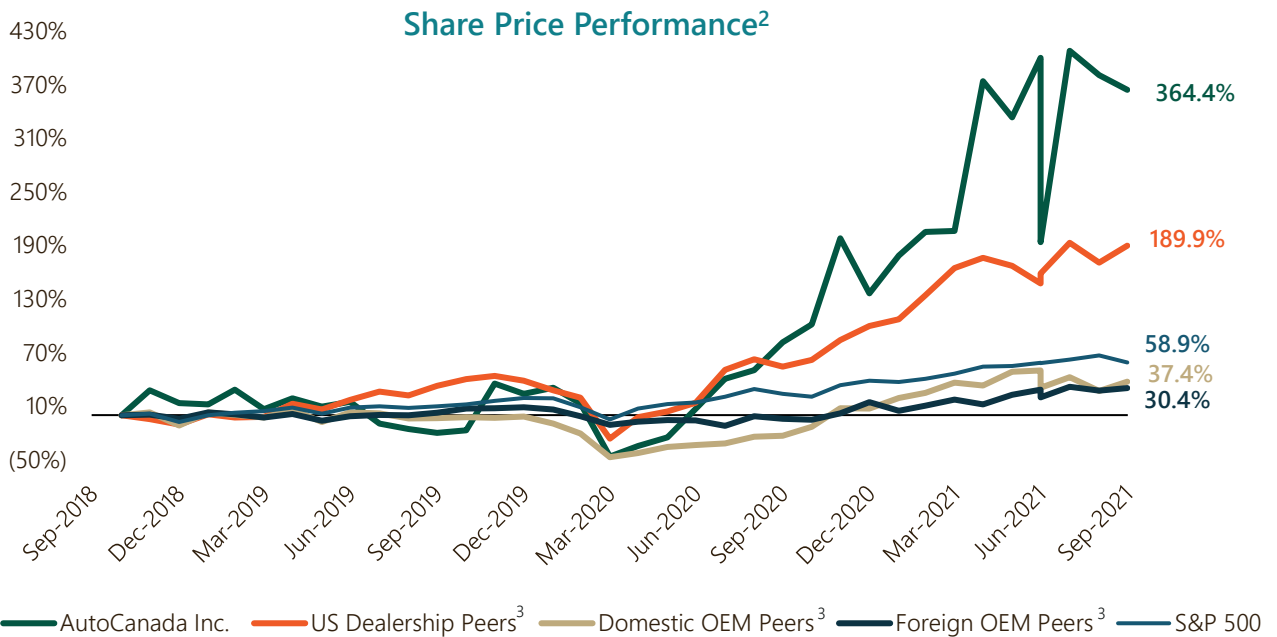


### GDP - Canada





Overall, Q3 2021 sales were 439,166 units, a 12.3% decrease in comparison to Q3 2020. Total vehicle sales comprised of 89.7% light truck sales in Q3 2021, up slightly from 79.7% in Q3 2020. The domestic vs. foreign brand sales mix continues to favour foreign brands, as their market share increased from 63.8% in Q2 2021 to 66.5% in Q3 2021.

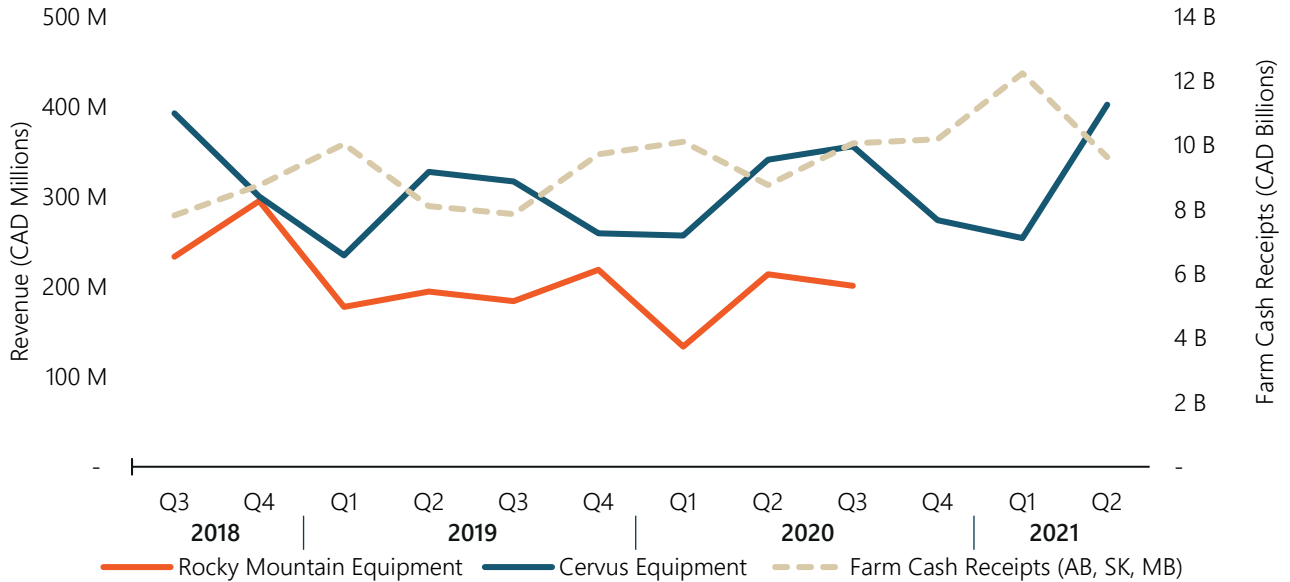


1: Desrosiers Automotive Consultants reports, July 2017 – September 2021.

2: Capital IQ. Data as of September 30, 2021.

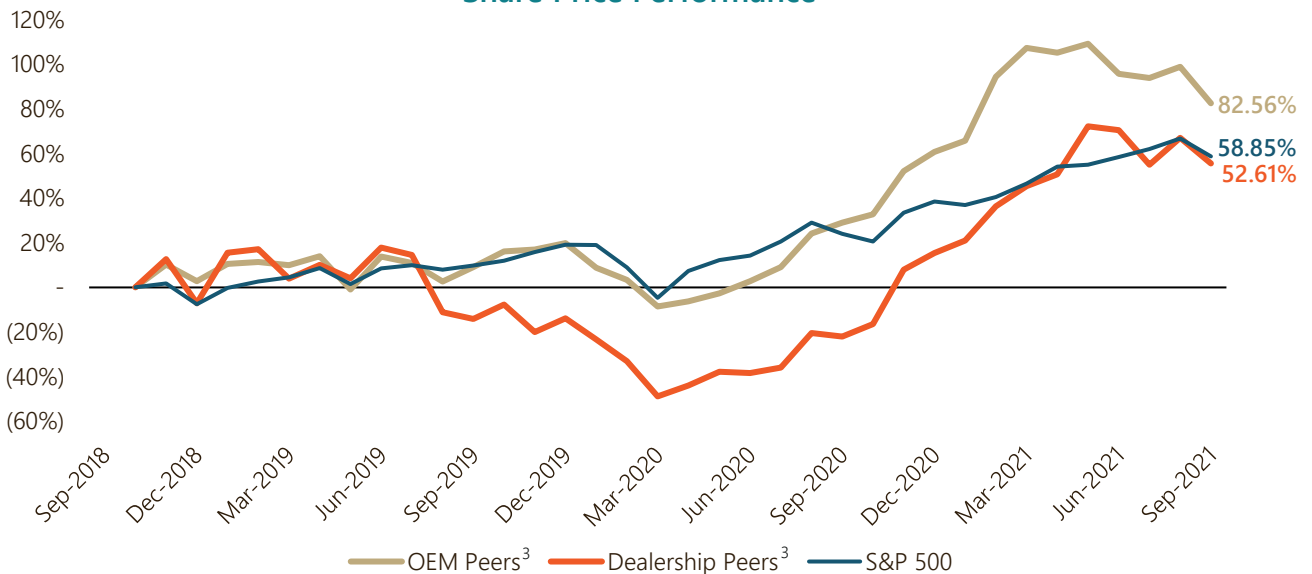
3: **US Dealership Peers:** AutoNation, Group 1 Automotive, Asbury Automotive, Sonic Automotive, Lithia Motors and Penske Automotive. **Domestic OEM Peers:** General Motors, Ford, and Fiat Chrysler. **Foreign OEM Peers:** Toyota, Honda and Nissan.

### Revenue vs. Farm Cash Receipts Per Quarter<sup>1, 2</sup>



Farm cash receipts tend to be a lagging indicator of agriculture equipment sales. Farm cash receipts recorded a 9.80% year-over-year growth from Q2 2020 to Q2 2021. Cervus Equipment's revenue in Q2 2021 increased 18.0% over Q2 2020. In Q3 2021, Cervus Equipment was acquired by Brandt Group of Companies, further information is provided on page 7. Rocky Mountain went private in Q4 2020 and financial information is not publicly available beyond Q3 2020. We have tracked Rocky Mountain's historical revenue for illustrative purposes.

### Share Price Performance<sup>1</sup>

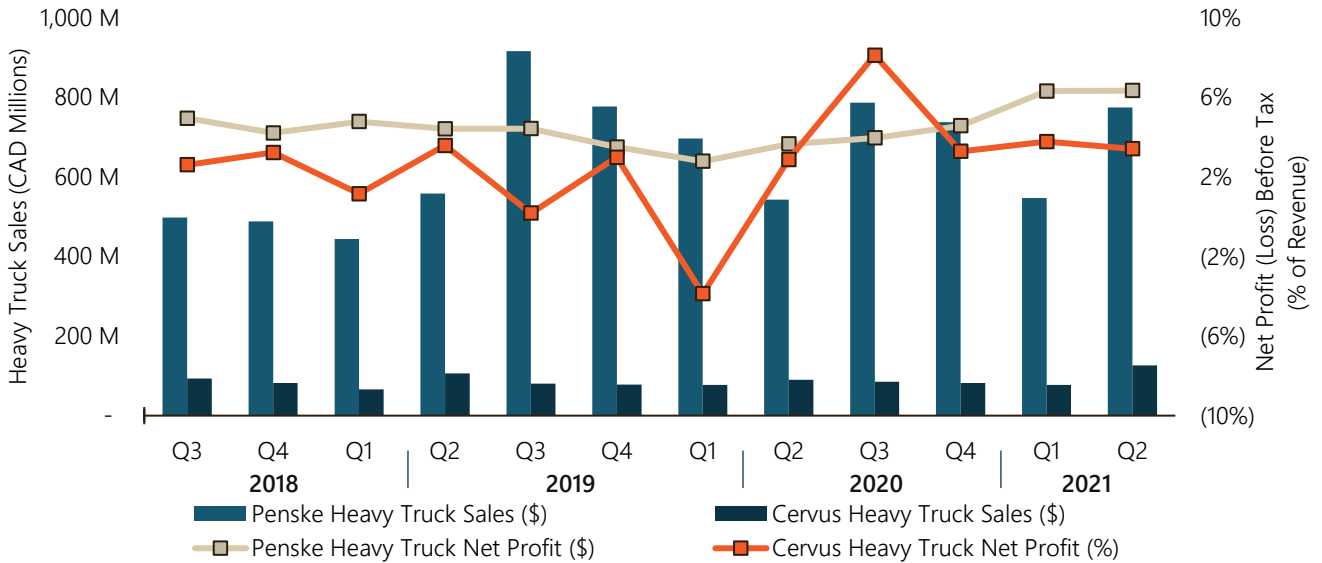


1: Capital IQ. Data as of September 30, 2021.

2: Farm cash receipts, quarterly – Statistics Canada. Farm cash receipts information is not yet available for Q3 2021 as of publication of this report.

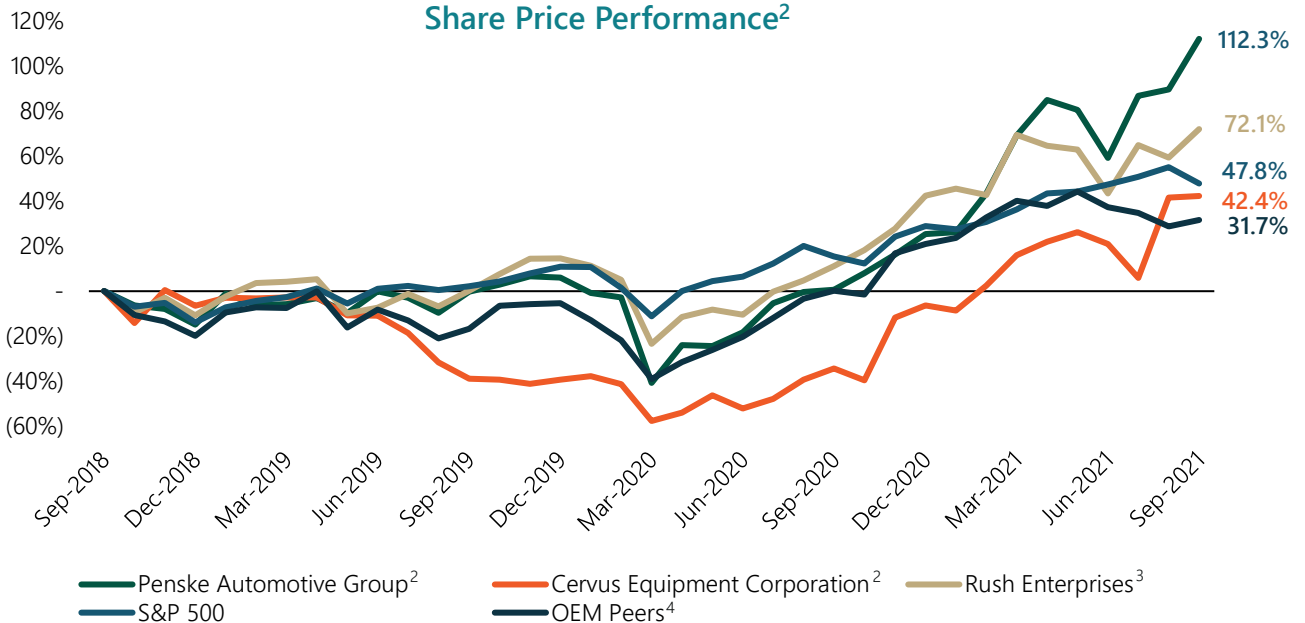
3: **Dealership Peers:** Rocky Mountain Equipment, Cervus and Titan Machinery. **OEM Peers:** Deere & Company (John Deere), CNH Industrial (Case IH, New Holland), Kubota Corp., Caterpillar Inc. (CAT) and AGCO Corporation (Massey Ferguson).

### Penske & Cervus Heavy Truck Division Performance<sup>1</sup>



Penske Automotive Group (Penske) is a publicly traded, global dealership group. Cervus Equipment Corporation (Cervus) is a global agricultural, construction and heavy truck dealership group. Penske and Cervus generated approximately 8.9% and 31.3% of sales from their heavy truck divisions in Q2 2021, respectively. Heavy truck revenues and net profit margins have been isolated in order to gauge divisional performance as a metric for the industry in general.

### Share Price Performance<sup>2</sup>



1: Capital IQ. Data as of September 30, 2021. Data for the Penske and Cervus heavy duty truck divisions for Q3 2021 was not updated by the time of the Q3 2021 report preparation.

2: Penske and Cervus are both diversified companies, therefore the share price performances shown above are not inherently related to the performance of their heavy truck divisions.

3: Rush Enterprises is a retailer of commercial vehicles in the United States, primarily retailing new and used heavy trucks.

4: OEM Peers: Daimler AG (Freightliner, Western Star), AB Volvo (Volvo, Mack), and PACCAR Inc. (Kenworth, Peterbilt).

# Select Recent M&A Transactions

**Brandt**

acquired



Location  
Canada

Date  
August 2021

- The Brandt Group of Companies (Brandt), headquartered in Regina, Saskatchewan, is the largest privately owned John Deere Construction and Forestry equipment dealer with 100 locations in Canada and the United States.
- Cervus Equipment is an equipment solutions provider to customers in agriculture, transportation, and industrial markets across Canada.
- The acquisition allows Brandt to better serve its customer base through the introduction of three brand new segments dedicated to serving the agriculture, transportation, and material handling industries.

**LITHIA**  
MOTORS, INC.

acquired

**PFAFF**

Location  
Canada

Date  
August 2021

- Lithia Motors Inc. is the third largest automotive retailer in the United States, and is among the fastest growing companies in the Fortune 500.
- Pfaff Automotive Partners was founded in 1964, and has quickly become one of Canada's leading premium automotive groups retailing new and used vehicles.
- The acquisition gives Lithia Motors the opportunity to expand their business into Canada, and solidify their presence in North America.

**AutoCanada**

acquired



Location  
Canada

Date  
August 2021

- AutoCanada Inc. is a multi-location automobile dealership group currently operating 66 franchised dealerships, comprised of 27 brands, in eight provinces in Canada, as well as Illinois, USA.
- Mark Wilson's Better Used Cars Ltd. is one of Canada's premier used vehicle dealerships, with facilities of 43,000 square feet on 16 acres, 24 shop bays, and a full-service department.
- This transaction allows AutoCanada's to further expand their used Digital Retail Division to drive used vehicle sales across all channels (omni-channel), including completely online.



# Public Comparable Analysis

## Trading Multiples & Operating Statistics

(Figures In CAD Millions, except percentages and ratios)<sup>1</sup>

CAD Millions	LTM Operating Figures						NTM Consensus Estimates			Valuation	
	Market Capitalization	Enterprise Value	Revenue	Revenue Growth	EBITDA	EBITDA Margin	Revenue Growth	EBITDA Margin	NTM EV/EBITDA	LTM EV/EBITDA	LTM EV/REV
<b>Automotive Dealerships</b>											
AutoCanada Inc.	\$1,248	\$2,393	\$4,144	28.4%	\$199	4.8%	11.2%	5.0%	10.4x	12.0x	.6x
AutoNation, Inc.	\$11,023	\$15,813	\$29,824	19.1%	\$2,154	7.2%	8.2%	6.8%	7.2x	7.2x	.5x
Group 1 Automotive, Inc.	\$4,146	\$6,594	\$15,784	15.3%	\$1,092	6.9%	13.4%	6.1%	6.0x	5.9x	.4x
Asbury Automotive Group, Inc.	\$4,811	\$7,179	\$10,972	30.5%	\$849	7.7%	24.0%	7.3%	7.1x	8.3x	.6x
Sonic Automotive, Inc.	\$2,771	\$5,119	\$14,231	16.4%	\$752	5.3%	15.8%	4.9%	6.3x	6.7x	.4x
Lithia Motors, Inc.	\$12,126	\$16,832	\$22,195	47.3%	\$1,734	7.8%	34.5%	6.1%	9.2x	9.5x	.7x
Penske Automotive Group, Inc.	\$10,218	\$18,326	\$30,410	19.6%	\$2,209	7.3%	8.9%	6.1%	9.1x	8.1x	.6x
<b>Median</b>	<b>\$4,811</b>	<b>\$7,179</b>	<b>\$15,784</b>	<b>19.6%</b>	<b>\$1,092</b>	<b>7.2%</b>	<b>13.4%</b>	<b>6.1%</b>	<b>7.2x</b>	<b>8.1x</b>	<b>.6x</b>
<b>Mean</b>	<b>\$6,621</b>	<b>\$10,322</b>	<b>\$18,223</b>	<b>25.2%</b>	<b>\$1,284</b>	<b>6.7%</b>	<b>16.6%</b>	<b>6.0%</b>	<b>7.9x</b>	<b>8.2x</b>	<b>.5x</b>
<b>Heavy Truck Dealerships</b>											
Penske Automotive Group, Inc.	\$10,218	\$18,326	\$30,410	19.6%	\$2,209	7.3%	8.9%	6.1%	9.1x	8.1x	.6x
Rush Enterprises, Inc.	\$3,189	\$4,186	\$6,188	(4.1%)	\$490	7.9%	9.6%	8.0%	7.5x	8.4x	.7x
Cervus Equipment Corporation	\$300	\$475	\$1,286	9.5%	\$72	5.6%	5.2%	5.2%	6.7x	6.6x	.4x
<b>Median</b>	<b>\$3,189</b>	<b>\$4,186</b>	<b>\$6,188</b>	<b>9.5%</b>	<b>\$490</b>	<b>7.3%</b>	<b>8.9%</b>	<b>6.1%</b>	<b>7.5x</b>	<b>8.1x</b>	<b>.6x</b>
<b>Mean</b>	<b>\$4,569</b>	<b>\$7,663</b>	<b>\$12,628</b>	<b>8.4%</b>	<b>\$924</b>	<b>6.9%</b>	<b>7.9%</b>	<b>6.4%</b>	<b>7.8x</b>	<b>7.7x</b>	<b>.5x</b>
<b>Agriculture Implement / Construction Dealerships</b>											
Cervus Equipment Corporation	\$300	\$475	\$1,286	9.5%	\$72	5.6%	5.2%	5.2%	6.7x	6.6x	.4x
Titan Machinery Inc.	\$726	\$1,167	\$1,930	16.8%	\$125	6.5%	12.3%	5.4%	9.1x	8.4x	.5x
<b>Median</b>	<b>\$513</b>	<b>\$771</b>	<b>\$1,608</b>	<b>13.1%</b>	<b>\$99</b>	<b>6.0%</b>	<b>8.7%</b>	<b>5.3%</b>	<b>7.9x</b>	<b>7.5x</b>	<b>.5x</b>
<b>Mean</b>	<b>\$513</b>	<b>\$771</b>	<b>\$1,608</b>	<b>13.1%</b>	<b>\$99</b>	<b>6.0%</b>	<b>8.7%</b>	<b>5.3%</b>	<b>7.9x</b>	<b>7.5x</b>	<b>.5x</b>
<b>Automobile OEMs</b>											
General Motors Company	\$96,751	\$214,772	\$173,003	20.6%	\$26,794	15.5%	3.9%	17.5%	6.8x	7.9x	1.2x
Fiat Chrysler Automobiles N.V.	-	-	\$135,098	(19.9%)	\$11,229	8.3%	(100.0%)	N/A	.0x	.0x	.0x
Ford Motor Company	\$71,521	\$227,423	\$169,031	4.6%	\$13,990	8.3%	10.1%	8.1%	14.9x	15.9x	1.3x
Daimler AG	\$120,280	\$291,037	\$251,783	8.6%	\$37,224	14.8%	1.3%	14.1%	8.0x	7.8x	1.2x
Honda Motor Co., Ltd.	67,431	\$126,599	\$163,335	12.0%	\$28,102	17.2%	9.4%	8.1%	8.6x	4.4x	.8x
Nissan Motor Co., Ltd.	\$24,933	\$91,158	\$97,089	0.2%	\$4,044	4.2%	16.1%	5.3%	15.0x	22.2x	.9x
Toyota Motor Corporation	\$314,002	\$512,184	\$341,051	13.6%	\$56,747	16.6%	4.9%	14.3%	10.0x	8.9x	1.5x
<b>Median</b>	<b>\$71,521</b>	<b>\$214,772</b>	<b>\$169,031</b>	<b>8.6%</b>	<b>\$26,794</b>	<b>14.8%</b>	<b>4.9%</b>	<b>11.1%</b>	<b>8.6x</b>	<b>7.9x</b>	<b>1.2x</b>
<b>Mean</b>	<b>\$99,274</b>	<b>\$209,025</b>	<b>\$190,056</b>	<b>5.7%</b>	<b>\$25,447</b>	<b>12.1%</b>	<b>(7.8%)</b>	<b>11.2%</b>	<b>9.1x</b>	<b>9.6x</b>	<b>1.0x</b>
<b>Heavy Trucks OEMs</b>											
AB Volvo (publ)	\$58,027	\$69,540	\$51,899	(2.8%)	\$7,511	14.5%	6.0%	15.3%	8.2x	9.3x	1.3x
PACCAR Inc	\$34,643	\$42,550	\$27,497	7.2%	\$3,265	11.9%	8.0%	11.7%	11.9x	12.8x	1.5x
Daimler AG	\$120,280	\$291,037	\$251,783	8.6%	\$37,224	14.8%	1.3%	14.1%	8.0x	7.8x	1.2x
<b>Median</b>	<b>\$58,027</b>	<b>\$69,540</b>	<b>\$51,899</b>	<b>7.2%</b>	<b>\$7,511</b>	<b>14.5%</b>	<b>6.0%</b>	<b>14.1%</b>	<b>8.2x</b>	<b>9.3x</b>	<b>1.3x</b>
<b>Mean</b>	<b>\$70,983</b>	<b>\$134,376</b>	<b>\$110,393</b>	<b>4.3%</b>	<b>\$16,000</b>	<b>13.7%</b>	<b>5.1%</b>	<b>13.7%</b>	<b>9.4x</b>	<b>10.0x</b>	<b>1.3x</b>
<b>Agriculture Implement / Construction OEMs</b>											
Deere & Company	\$131,359	\$183,604	\$52,877	18.8%	\$11,265	21.3%	4.3%	21.8%	15.2x	16.1x	3.4x
CNH Industrial N.V.	\$28,441	\$50,300	\$38,874	25.0%	\$4,356	11.2%	9.0%	10.0%	11.8x	11.3x	1.3x
Kubota Corporation	\$32,714	\$42,011	\$23,115	12.9%	\$3,454	14.9%	8.1%	15.3%	10.9x	12.0x	1.8x
Caterpillar Inc.	\$132,884	\$167,796	\$56,857	(1.4%)	\$11,113	19.5%	18.4%	17.6%	13.9x	14.8x	2.9x
AGCO Corporation	\$11,679	\$13,294	\$12,975	22.4%	\$1,625	12.5%	12.9%	11.5%	7.8x	8.0x	1.0x
AB Volvo (publ)	\$58,027	\$69,540	\$51,899	(2.8%)	\$7,511	14.5%	6.0%	15.3%	8.2x	9.3x	1.3x
<b>Median</b>	<b>\$45,371</b>	<b>\$59,920</b>	<b>\$45,386</b>	<b>15.9%</b>	<b>\$5,934</b>	<b>14.7%</b>	<b>8.6%</b>	<b>15.3%</b>	<b>11.4x</b>	<b>11.6x</b>	<b>1.6x</b>
<b>Mean</b>	<b>\$65,851</b>	<b>\$87,757</b>	<b>\$39,433</b>	<b>12.5%</b>	<b>\$6,554</b>	<b>15.7%</b>	<b>9.8%</b>	<b>15.2%</b>	<b>11.3x</b>	<b>11.9x</b>	<b>2.0x</b>

Source: Capital IQ. Data as of September 30, 2021.

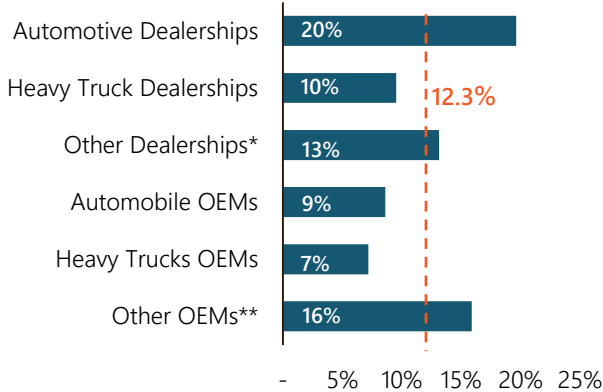
<sup>1</sup>"LTM" refers to last twelve months. "NTM" refers to next twelve months.



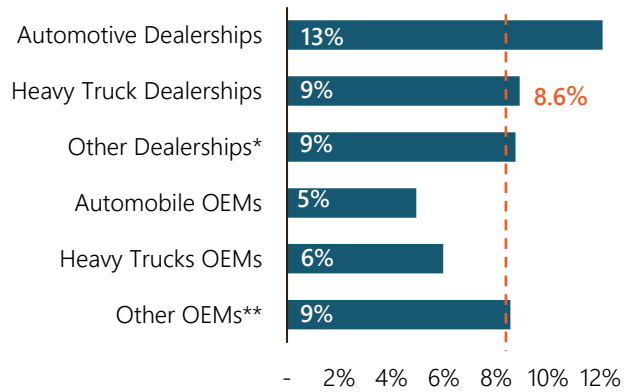
# Public Comparable Analysis

## Growth, Margins & Multiples

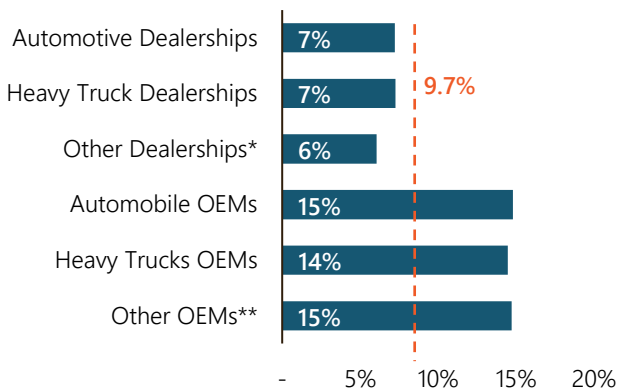
### Median Revenue Growth (LTM)



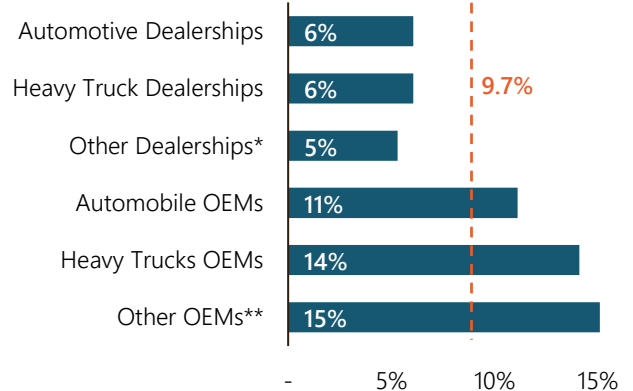
### Median Revenue Growth (NTM)



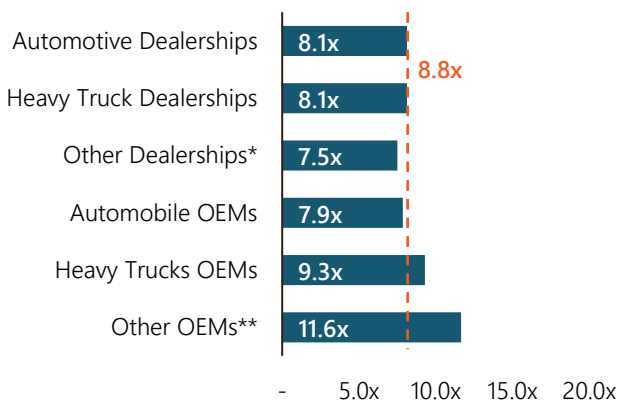
### Median EBITDA Margin (LTM)



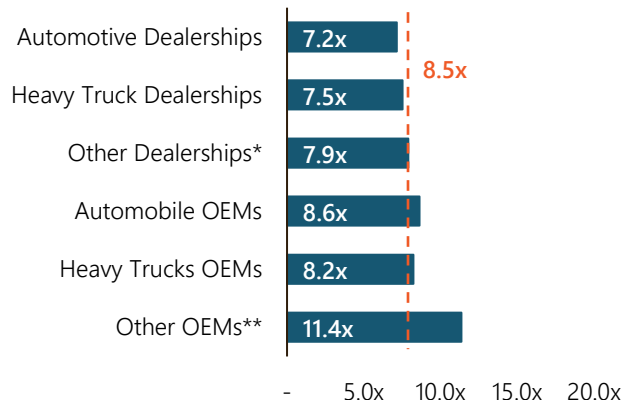
### Median EBITDA Margin (NTM)



### Median EV/EBITDA (LTM)



### Median EV/EBITDA (NTM)



\*Agriculture Implement / Construction Dealerships.

\*\*Agriculture Implement / Construction OEMs.

Source: Capital IQ. Data as of September 30, 2021.

"LTM" refers to last twelve months. "NTM" refers to next twelve months.

Valuation details provided on page 7.

# About Us



MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A and due diligence professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

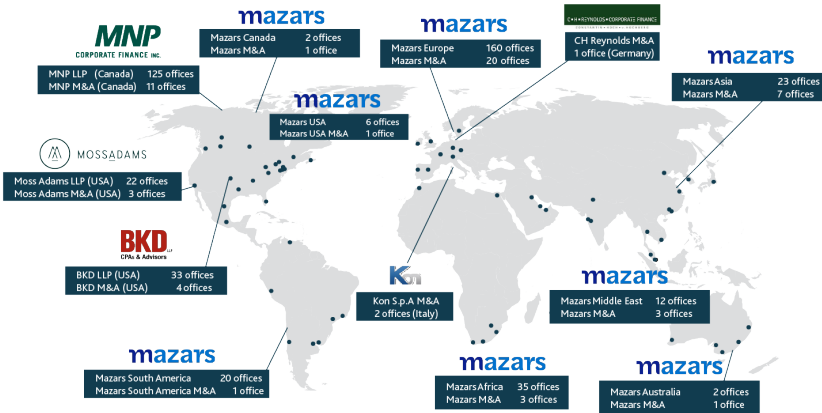
Our typical transactions range in value between \$3 million and \$300 million.

## Local and International Reach

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting, and tax advisory services worldwide. We are also affiliated with Corporate Finance Cross Border, which consists of 250+ M&A professionals in more than 30 countries.



**CFxB** CFxBorder - Global reach with local relationships  
Our corporate finance team through CFxB consists of 250 plus M&A professionals in more than 30 countries



## Services

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

## Recently Closed Deals (National)

**E360S** Environmental Management has acquired **CHEM-ECOL**. MNP Corporate Finance Inc. provided financial and tax due diligence services to Environmental 360 Solutions Ltd.

**ACR ALL CHOICE RENTALS** has acquired **DV RENTALS**. MNP Corporate Finance Inc. acted as exclusive financial advisor to D.V. Rentals Inc. in structuring and negotiating this transaction.

**Ayrfit West Inc.** has acquired **International Fitness Holdings Inc.** a portfolio company of **TRIWEST**. MNP Corporate Finance Inc. was the exclusive financial advisor to International Fitness Holdings Inc. in structuring and negotiating this transaction.

**E360S** Environmental Management has acquired **RETIRE STOCK TRUST**. MNP Corporate Finance Inc. provided financial and tax due diligence services to Environmental 360 Solutions Ltd.

**Crestview** has acquired a majority interest in **JMP Solutions**. MNP Corporate Finance Inc. acted as exclusive financial advisor to JMP Solutions in structuring and negotiating this transaction.

**LYNX equity limited** has acquired **YELLOWHEAD FOOD PRODUCTS INC.** MNP Corporate Finance Inc. acted as exclusive financial advisor to Yellowhead Wood Products Inc. in structuring and negotiating this transaction.

**FIREPOWER** has invested in **wesbell**. MNP Corporate Finance Inc. provided financial and tax due diligence services to Firepower Equity with Credit Market Equity and Trilogy Capital.

**Confidential Buyer** has acquired **SCG PROCESS**. MNP Corporate Finance Inc. provided vendor due diligence services to Smith Cameron Group.

**Rhyno Equity Group** has acquired **PermaCorp**. MNP Corporate Finance Inc. provided financial and tax due diligence services to Rhyno Equity Group.

**UNIVERSAL GROUP** has acquired **Beacon Lite**. MNP Corporate Finance Inc. provided financial and tax due diligence services to Universal Group.

# About Us

## Deal Experience

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past five years alone we have completed over 125 transactions worth over \$2 billion (not including due diligence engagements).

## Industry Experience

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Agriculture
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Software
- Financial Services
- Technology
- Energy
- Oilfield Services
- Real Estate

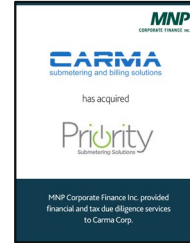
## Hands-on Approach

Current M&A transactions require a hands-on approach from start to finish including the active engagement of senior resources. Our senior resources are dedicated to our clients and are available as necessary and appropriate. We keep our clients regularly informed of the engagement status, issues we are encountering, successes, and overall progress.

## Integrated Service Offering

We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement, and risk management.

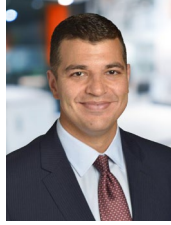
## Recently Closed Deals (National)



## Transaction Leadership



**Brett Franklin**  
President  
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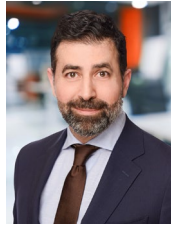
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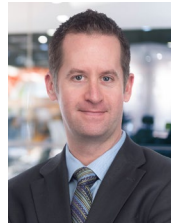


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