

Dealerships

Quarterly Update | Q1 2022



Industry Overview

M&A Snapshot – All Dealership Industries

M&A Activity – All Dealership Industries (Automotive, Agriculture, Heavy Truck)

- Publicly disclosed M&A activity across all dealership industries in the US and Canada increased significantly in the second half of 2021, totaling 107 disclosed transactions, exceeding the 43 transactions disclosed in 2020.
- Due to the limited number of publicly traded dealerships in Canada, substantially all publicly available transaction value and volume is related to US transactions across all dealership industries. While geographically different markets, M&A activity in the US can be indicative of overall macro trends in the Canadian M&A market as well. We have included an M&A activity chart on the following page of this report.

Automotive

- Due to supply constraints, semiconductor shortages, and the lasting effects of the COVID-19 pandemic, passenger vehicle sales were down 17% in Q1 2022, compared to Q1 2021, and down 24% compared to Q1 2020 (last pre-COVID quarter)¹.
- As there is only one publicly traded automotive dealership group in Canada, AutoCanada Inc. ("AutoCanada"), substantially all publicly available transaction value and volume is related to US transactions. We have highlighted AutoCanada's publicly available transaction activity on the following page of this report.
- 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 Original Equipment Manufacturers (OEMs), and dealers, to adapt to the changing marketplace.

Agriculture Implement

- Accelerated consolidation continues amongst Case-IH, New Holland, and Kubota dealers. Valuations can vary significantly by location, size, and historical performance.
- In comparison to the full year in 2020, full year 2021 unit retail sales in Canada increased 20.5% for farm tractors and 28.1% for self-propelled combines.²

Heavy Truck

- Fragmented marketplace presents an opportunity of M&A activity amongst dealerships, as seen by the recent consolidation activity in southern Ontario, spearheaded by Penske Automotive Group and Rush Enterprises.
- Trailer orders totaled 75,890 in Q4 2021, down 21% from Q3 2020 with higher-than-normal sales of 95,600. Demand is expected to rise moving into 2022 but supply chain issues may complicate production.³

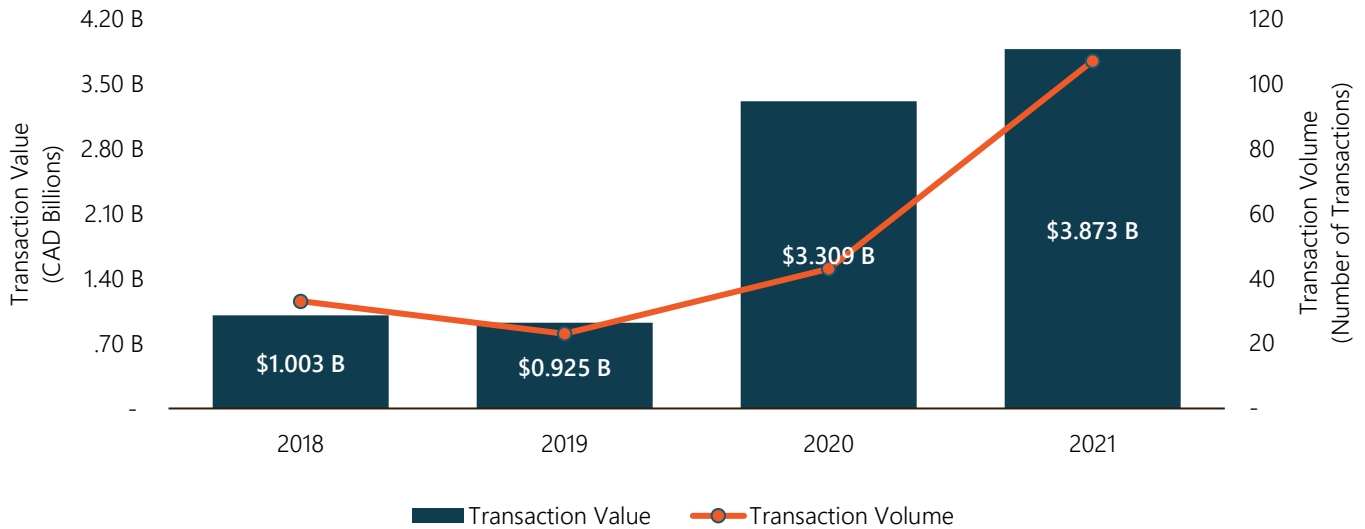


1: AutoWatch, Desrosiers. March 2022, and March 2021 Market Watch.

2: AEM Canada Ag Tractor and Combine Report, November 2021.

3: ACT Research, U.S. Trailer Orders

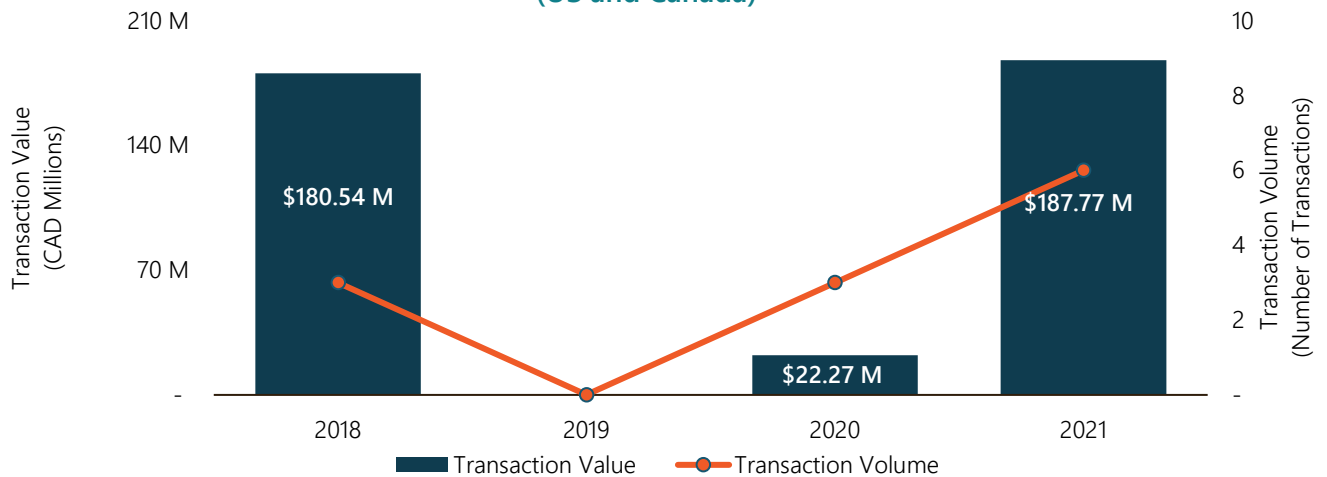
Publicly Disclosed Transactions - All Dealership Industries (US and Canada)¹



Note: US M&A data may lag by a quarter in our quarterly updates

Overall M&A activity for North American dealerships increased significantly in the second half of 2021, with total publicly disclosed transactions exceeding those for all of 2020 in for both transaction volume, and value.

Publicly Disclosed AutoCanada Inc. Transactions – Automotive Industry (US and Canada)²



Note: US M&A data may lag by a quarter in our quarterly updates

AutoCanada closed six publicly disclosed transactions in 2021 with an aggregate value of \$187.77M. This is up from three transactions in 2020, which had an aggregate value of \$22.27M. Transactions may also include real estate and autobody stores. The number of publicly disclosed transactions is based on individually identifiable transactions, and not the number of stores/dealerships included in each transaction.

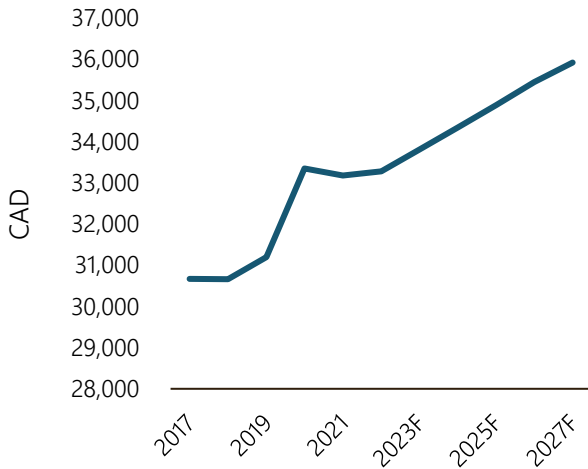
1: Capital IQ. Data as of March 31, 2022; SEC Filings via Haig Report.

2: Pitchbook, Auto Canada Filings and Financial Statements

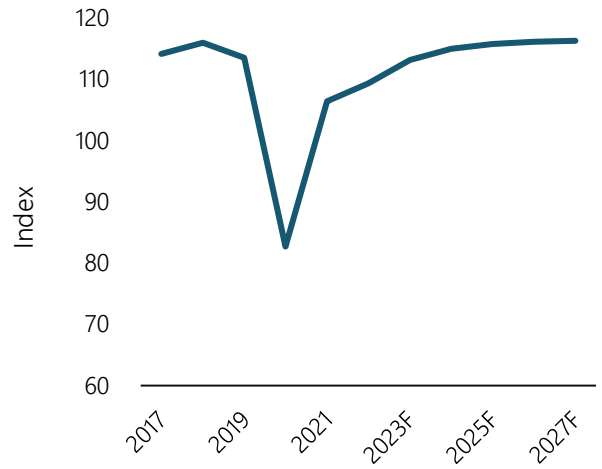
Macroeconomic Indicators

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

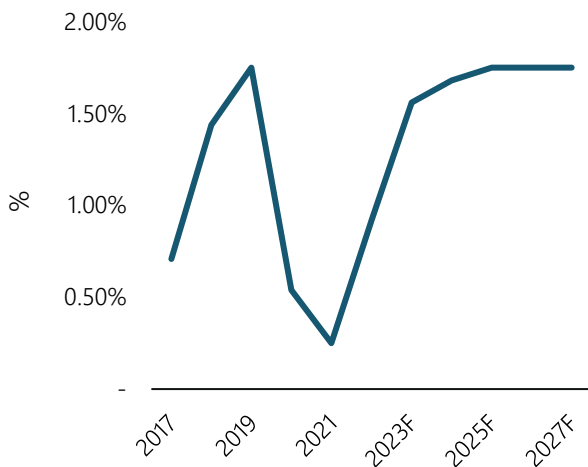
Per Capita Disposable Income



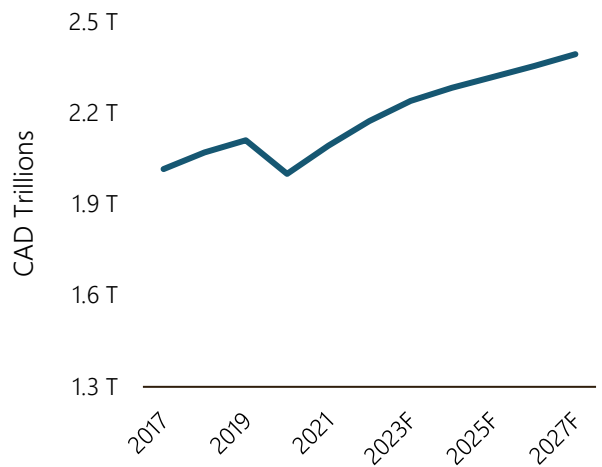
Consumer Confidence Index

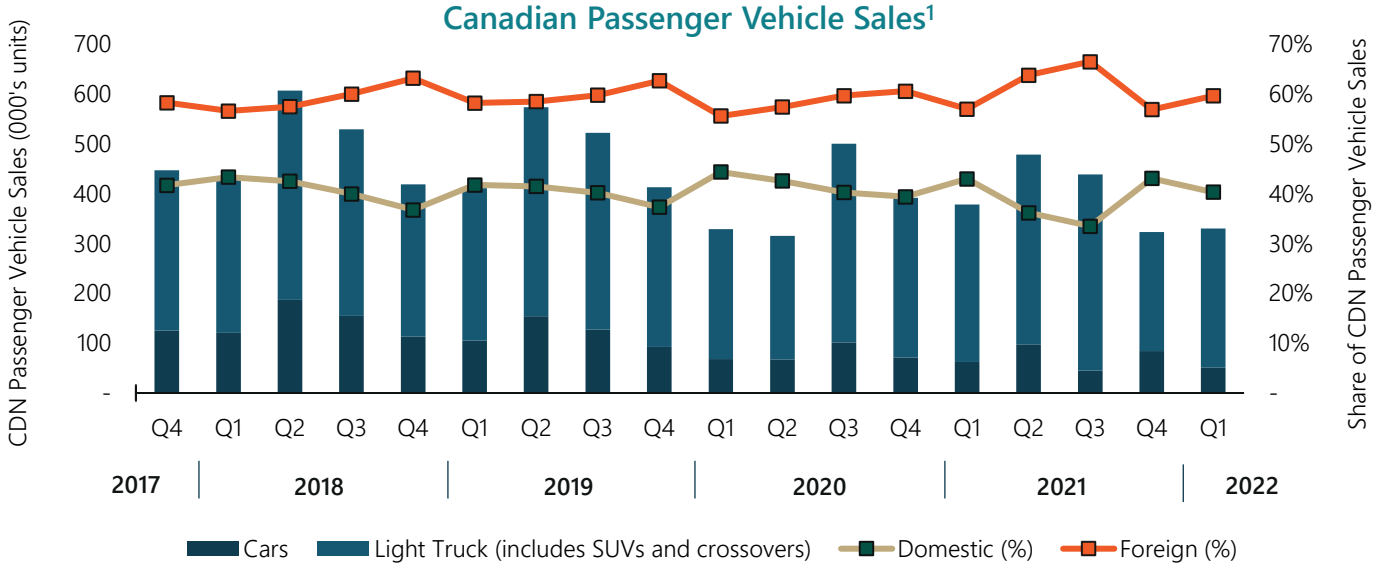


Overnight Rate



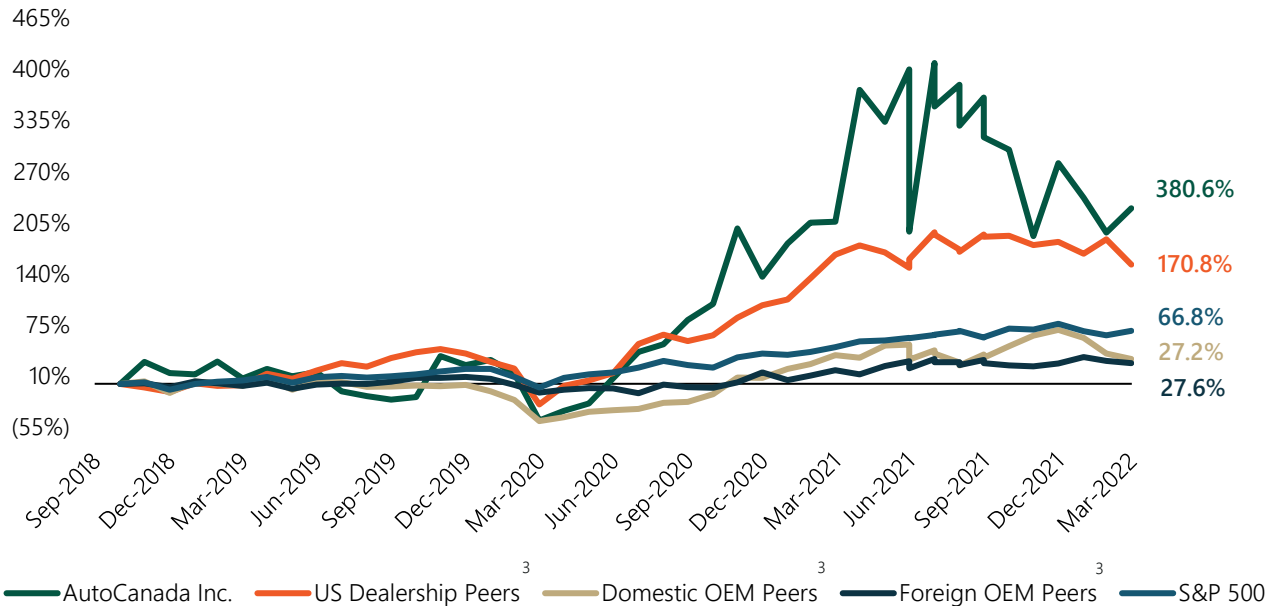
GDP - Canada





Q1 2022 sales totaled 330,593 units, a 12.7% decrease in comparison to Q1 2021. Total vehicle sales comprised of 84.4% light truck sales in Q1 2022. The domestic vs. foreign brand sales mix continues to favor foreign brands, which have a market share of 59.7%. Foreign brands have also seen a rebound in their percentage of industry sales in Q1 2022, recapturing some lost ground across Q3 and Q4 2021.

Share Price Performance²

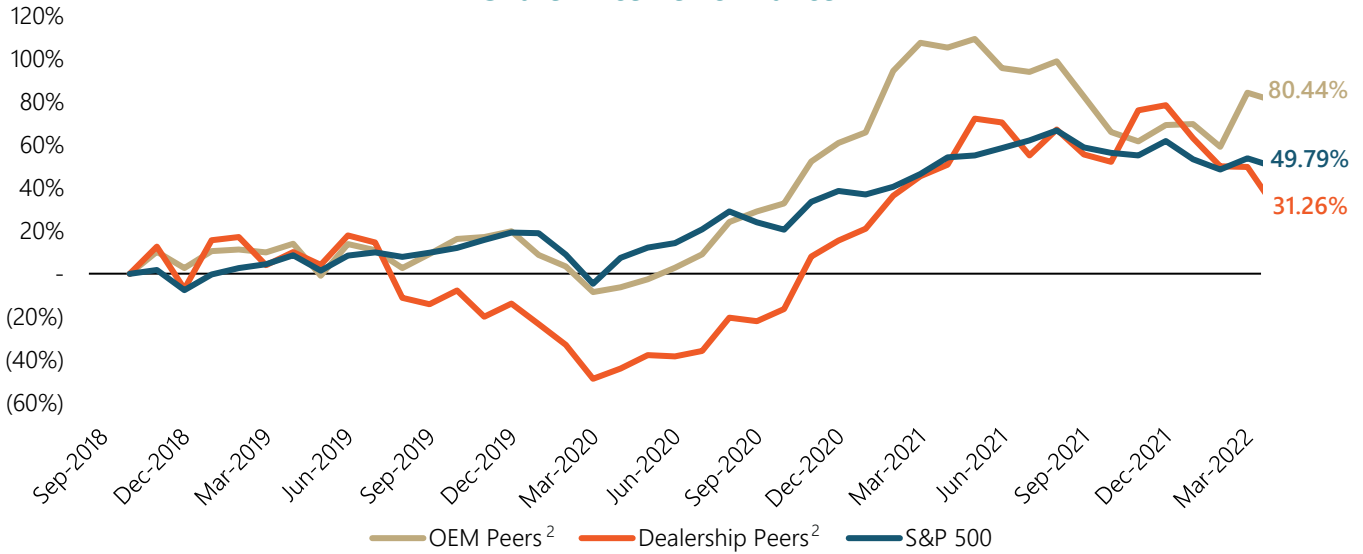


1: Desrosiers Automotive Consultants reports, January 2018 – March 2022.

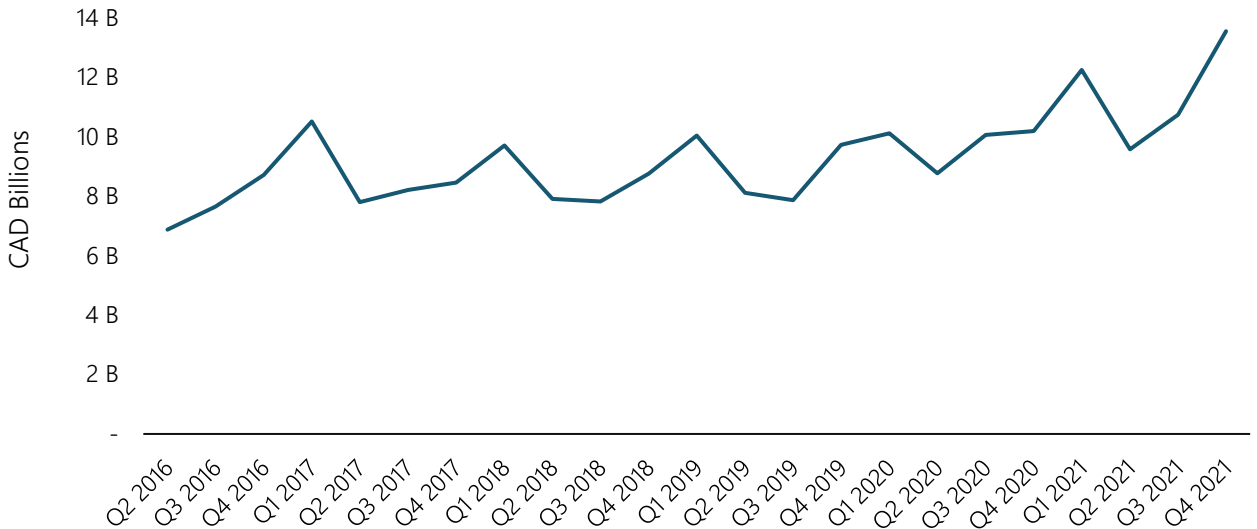
2: Capital IQ. Data as of March 31, 2022.

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.

Share Price Performance¹



FARM CASH RECEIPTS (AB, SK, MB)³

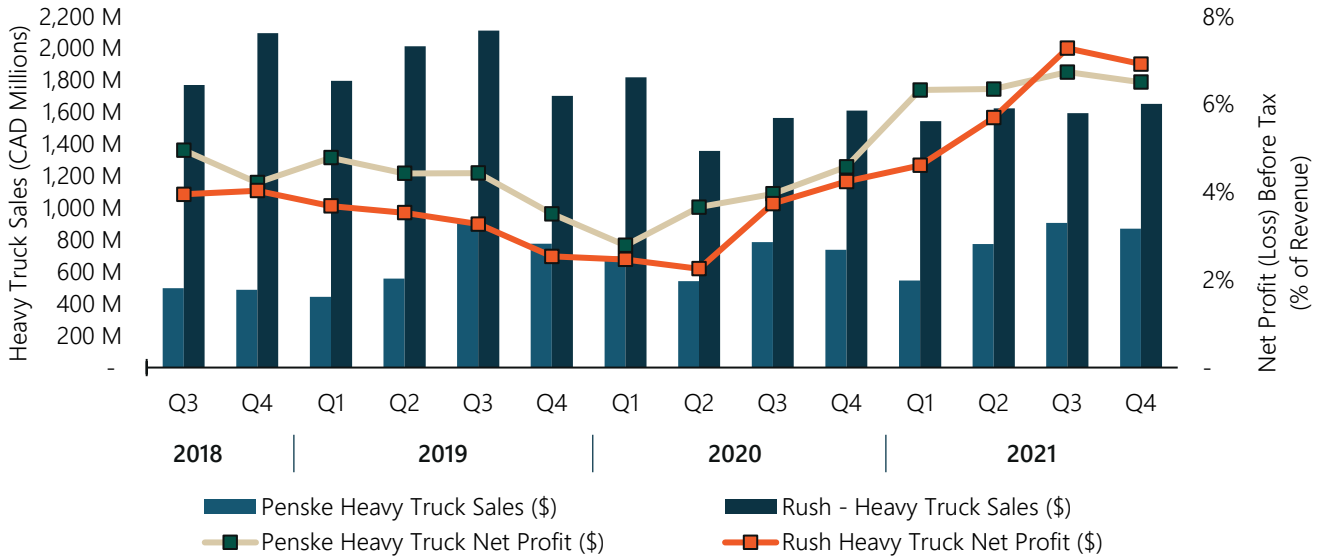


1: Capital IQ. Data as of March 31, 2022.

2: **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).

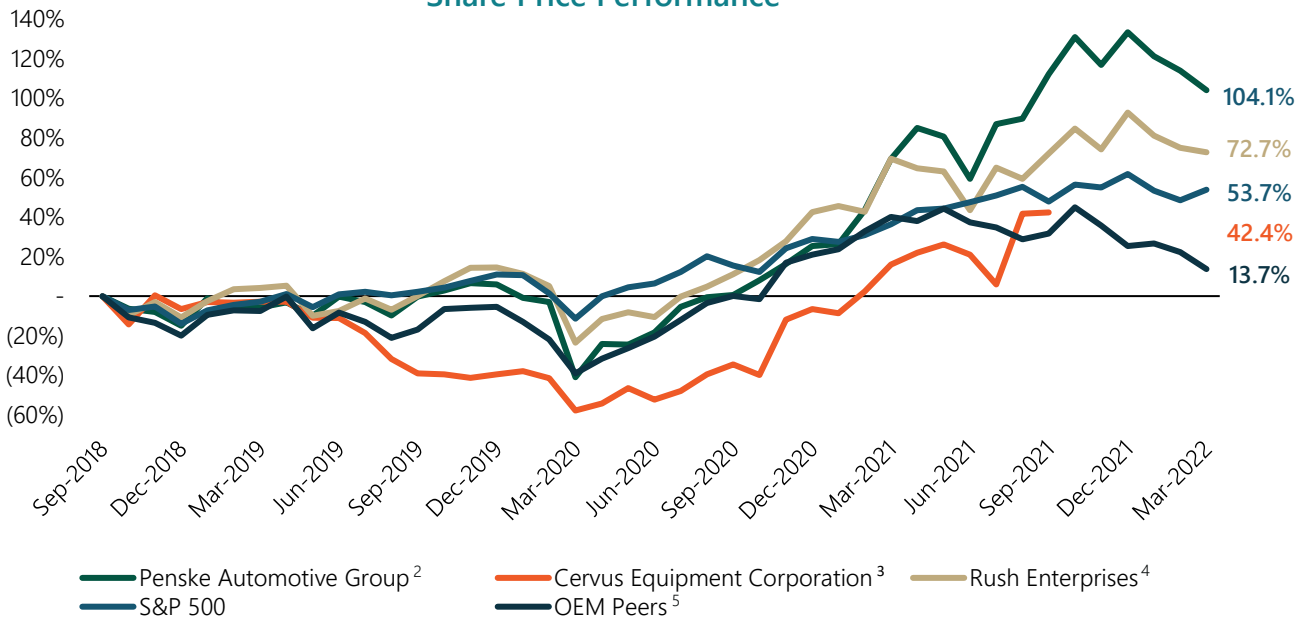
3: Farm Cash Receipts retrieved from Statistics Canada. Data effective December 31, 2021.

Penske & Rush Heavy Truck Division Performance¹



Penske Automotive Group (Penske) is a publicly traded, global dealership group. Rush Enterprises Inc. (Rush) is a publicly traded retailer of commercial vehicles in North America. Penske generated approximately 10.9% of sales from their heavy truck division in Q4 2021, while substantially all of Rush’s sales relate to heavy truck. 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 Performance¹



1: Capital IQ. Data as of March 31, 2022.

2: Penske is a diversified company, therefore the share price performance shown above is not inherently related to the performance of its heavy truck division.

3: Cervus Equipment de-listed from the NYSE in Q3 2021 and went private. No share price information is publicly available after this point.

4: Rush Enterprises is a retailer of commercial vehicles in North America, primarily retailing new and used heavy trucks.

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

Select Recent M&A Transactions



has acquired



Location
Canada

Date
February 2022

- **Penske Automotive Group** is a diversified international transportation services company, and one of the world's premier automotive and commercial truck retailers.
- **TEAM Truck Centres** is a mid-sized retailer of heavy-duty Freightliner and Western Star trucks. TEAM has been operating in Ontario for over 40 years.
- The acquisition gives the Penske Automotive Group the ability to expand their operations, and increase their presence in southern Ontario.



has acquired



Location
Canada

Date
February 2022

- **Rush Truck Centres** is a part of the largest dealership network in North America through its affiliation with Rush Enterprises. Rush is an international retailer of commercial vehicles.
- **Valley Truck & Spring Service** is a truck service centre in Pembroke, Ontario which has been a partner of Rush for over 30 years.
- This transaction will allow Rush to expand its footprint of truck centres into the Pembroke region of Ontario, and expand its book of business in the parts and service segments of their market.



and



Location
Canada

have jointly acquired seven corporate dealerships of

Date
Q1 2022



Mercedes-Benz

- **Awin Automotive Group** (Thornhill, ON) and **Zanchin Automotive Group** (Vaughan, ON) have entered into a joint arrangement to purchase seven corporately-owned Mercedes-Benz dealerships in the Greater Toronto Area ("Toronto Retail Group").
- Mercedes is divesting its Toronto Retail Group as a part of its long-term regional strategy.
- This acquisition gives Awin/Zanchin the opportunity to expand their luxury car offerings, and access the growth prospects associated with these reputable dealerships. Ownership is expected to transfer by the end of Q1 2022.



Public Comparable Analysis

Trading Multiples & Operating Statistics

(Figures In CAD Millions, except percentages and ratios)⁷

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
Automotive Dealerships											
AutoCanada Inc.	\$968	\$2,347	\$4,653	39.8%	\$263	5.6%	12.2%	5.4%	8.3x	8.9x	.5x
AutoNation, Inc.	\$7,630	\$13,739	\$32,705	26.7%	\$2,721	8.3%	6.4%	7.5%	5.3x	5.1x	.4x
Group 1 Automotive, Inc.	\$3,461	\$7,013	\$17,061	27.2%	\$1,279	7.5%	19.7%	6.3%	5.6x	5.6x	.4x
Asbury Automotive Group, Inc.	\$4,638	\$10,101	\$12,450	37.9%	\$1,102	8.9%	62.5%	7.8%	6.5x	9.3x	.8x
Sonic Automotive, Inc.	\$2,158	\$5,803	\$15,688	26.9%	\$885	5.6%	34.3%	4.8%	5.9x	6.6x	.4x
Lithia Motors, Inc.	\$11,049	\$17,135	\$31,454	71.8%	\$2,824	9.0%	15.2%	6.6%	6.9x	6.9x	.6x
Penske Automotive Group, Inc.	\$8,985	\$17,008	\$32,339	25.0%	\$2,750	8.5%	5.6%	6.5%	7.9x	6.3x	.5x
Median	\$4,638	\$10,101	\$17,061	27.2%	\$1,279	8.3%	15.2%	6.5%	6.5x	6.6x	.5x
Mean	\$5,555	\$10,450	\$20,907	36.5%	\$1,689	7.6%	22.3%	6.4%	6.6x	7.0x	.5x
Heavy Truck Dealerships											
Penske Automotive Group, Inc.	\$8,985	\$17,008	\$32,339	25.0%	\$2,750	8.5%	5.6%	6.5%	7.9x	6.3x	.5x
Rush Enterprises, Inc.	\$3,481	\$4,735	\$6,487	8.2%	\$602	9.3%	15.2%	8.0%	8.0x	8.0x	.7x
Median	\$6,233	\$10,871	\$19,413	16.6%	\$1,676	8.9%	10.4%	7.3%	8.0x	7.1x	.6x
Mean	\$6,233	\$10,871	\$19,413	16.6%	\$1,676	8.9%	10.4%	7.3%	8.0x	7.1x	.6x
Agriculture Implement / Construction Dealerships											
Titan Machinery Inc.	\$782	\$951	\$2,179	21.3%	\$165	7.6%	10.5%	6.0%	6.7x	5.8x	.4x
Median	\$782	\$951	\$2,179	21.3%	\$165	7.6%	10.5%	6.0%	6.7x	5.8x	.4x
Mean	\$782	\$951	\$2,179	21.3%	\$165	7.6%	10.5%	6.0%	6.7x	5.8x	.4x
Automobile OEMs											
General Motors Company	\$79,346	\$194,192	\$160,722	3.7%	\$23,143	14.4%	21.1%	16.2%	6.1x	8.5x	1.2x
Stellantis N.V.	\$64,307	\$41,670	\$215,044	213.5%	\$30,042	14.0%	4.7%	14.6%	.0x	1.4x	.2x
Ford Motor Company	\$84,843	\$213,598	\$172,538	7.2%	\$21,513	12.5%	5.6%	10.3%	11.7x	10.1x	1.3x
Honda Motor Co., Ltd.	\$61,323	\$113,473	\$157,181	10.0%	\$26,326	16.7%	2.4%	8.4%	8.0x	4.6x	.8x
Nissan Motor Co., Ltd.	\$22,045	\$81,503	\$95,613	13.1%	\$5,711	6.0%	5.1%	6.1%	12.6x	15.3x	.9x
Toyota Motor Corporation	\$314,923	\$504,932	\$340,244	16.3%	\$57,660	16.9%	(1.5%)	13.1%	11.0x	9.4x	1.6x
Median	\$71,826	\$153,833	\$166,630	11.6%	\$24,735	14.2%	4.9%	11.7%	9.5x	8.9x	1.1x
Mean	\$104,464	\$191,561	\$190,224	44.0%	\$27,399	13.4%	6.2%	11.4%	8.2x	8.2x	1.0x
Heavy Trucks OEMs											
AB Volvo (publ)	\$48,269	\$60,805	\$52,093	10.0%	\$6,724	12.9%	2.8%	15.1%	7.2x	9.5x	1.2x
PACCAR Inc	\$38,227	\$45,356	\$29,767	25.6%	\$3,411	11.5%	6.4%	11.6%	12.3x	13.5x	1.5x
Median	\$43,248	\$53,081	\$40,930	17.8%	\$5,068	12.2%	4.6%	13.3%	9.8x	11.5x	1.4x
Mean	\$43,248	\$53,081	\$40,930	17.8%	\$5,068	12.2%	4.6%	13.3%	9.8x	11.5x	1.4x
Agriculture Implement / Construction OEMs											
Deere & Company	\$159,124	\$214,040	\$56,672	20.1%	\$10,803	19.1%	8.1%	21.2%	16.6x	20.3x	3.9x
CNH Industrial N.V.	\$26,851	\$50,268	\$42,303	28.4%	\$4,613	10.9%	(36.7%)	12.5%	15.9x	11.0x	1.2x
Kubota Corporation	\$28,410	\$38,069	\$24,145	18.5%	\$3,357	13.9%	(1.1%)	14.1%	11.0x	12.1x	1.7x
Caterpillar Inc.	\$149,074	\$185,387	\$64,503	22.1%	\$13,708	21.3%	11.9%	17.4%	14.9x	13.7x	2.9x
AGCO Corporation	\$13,590	\$14,602	\$14,095	21.7%	\$1,826	13.0%	10.3%	12.2%	7.8x	8.1x	1.1x
AB Volvo (publ)	\$48,269	\$60,805	\$52,093	10.0%	\$6,724	12.9%	2.8%	15.1%	7.2x	9.5x	1.2x
Median	\$38,340	\$55,537	\$47,198	20.9%	\$5,669	13.4%	5.4%	14.6%	12.9x	11.6x	1.5x
Mean	\$70,886	\$93,862	\$42,302	20.1%	\$6,839	15.2%	(0.8%)	15.4%	12.2x	12.4x	2.0x

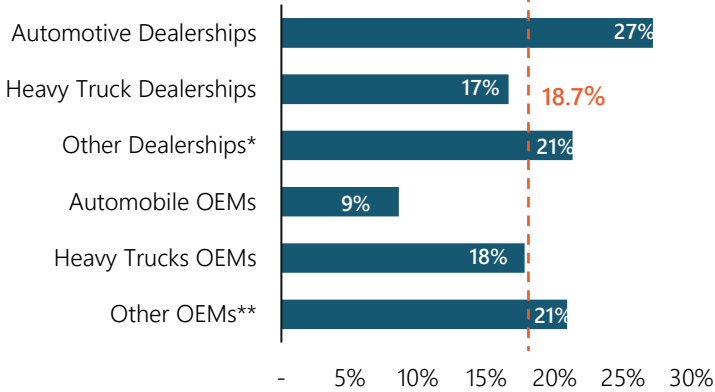
Source: Capital IQ. Data as of March 31, 2022.

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

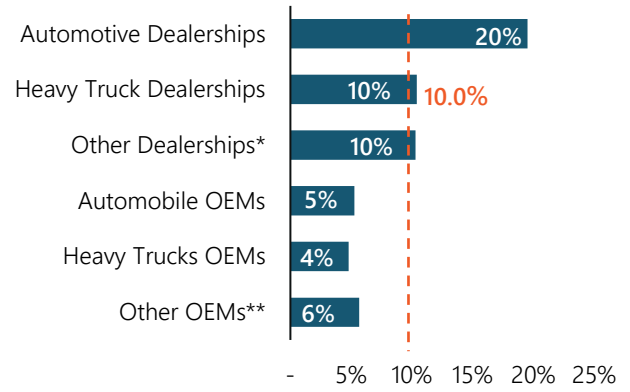
Public Comparable Analysis

Growth, Margins & Multiples

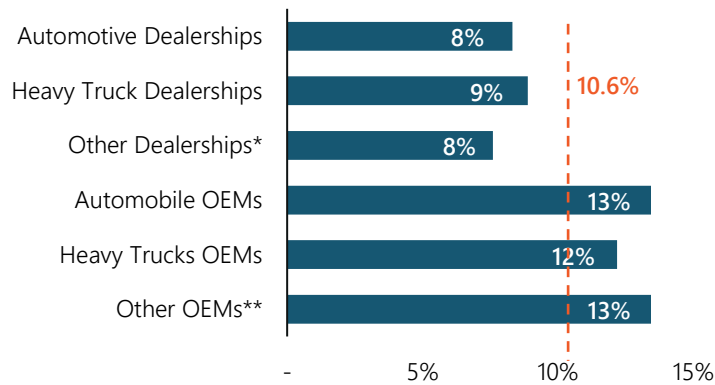
Median Revenue Growth (LTM)



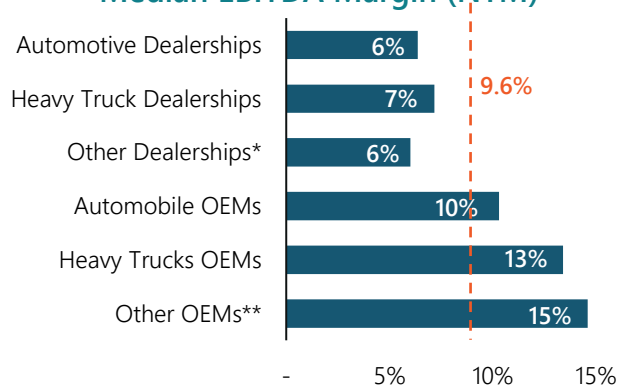
Median Revenue Growth (NTM)



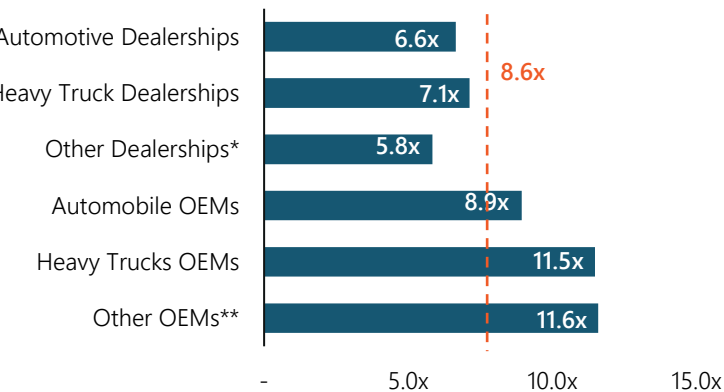
Median EBITDA Margin (LTM)



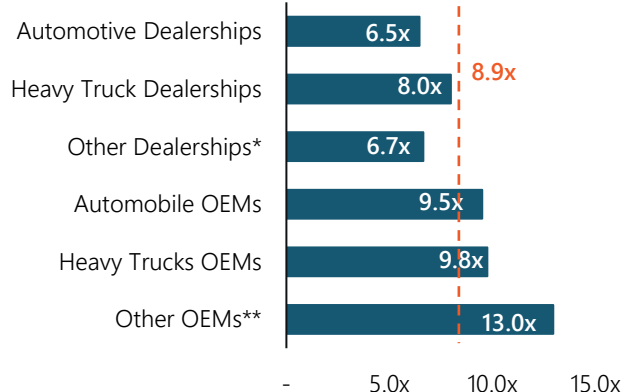
Median EBITDA Margin (NTM)



Median EV/EBITDA (LTM)



Median EV/EBITDA (NTM)



*Agriculture Implement / Construction Dealerships.

**Agriculture Implement / Construction OEMs.

Source: Capital IQ. Data as of March 31, 2022.

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

Valuation details provided on page 7.

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 eight years alone we have completed over 200 transactions worth over \$3.5 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

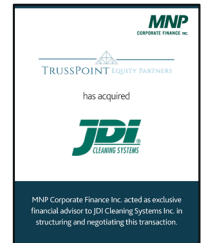
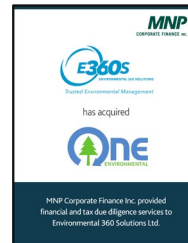
Hands-on Approach

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.

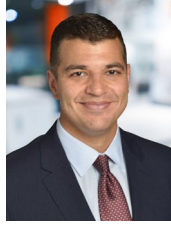
Recently Closed Deals (National)



Transaction Leadership



Brett Franklin
President
Winnipeg
Brett.Franklin@mnp.ca
204.336.6190



Aleem Bandali
Managing Director
Vancouver
Aleem.Bandali@mnp.ca
778.374.2140



Mark Regehr
Managing Director
Edmonton
Mark.Regehr@mnp.ca
780.969.1404



Mike Reynolds
Managing Director
Calgary
Mike.Reynolds@mnp.ca
587.702.5909



Erik St-Hilaire
Managing Director
Winnipeg
Erik.St-Hilaire@mnp.ca
204.336.6200



Stephen Shaw
Managing Director
Toronto
Stephen.Shaw@mnp.ca
416.515.3883



Dan Porter
Managing Director
Toronto
Dan.Porter@mnp.ca
416.515.3877



Kevin Tremblay
Managing Director
Toronto
Kevin.Tremblay@mnp.ca
647.943.4051



Jon Edgett
Managing Director
Waterloo
Jon.Edgett@mnp.ca
519.772.7460



Patrick Khouzam
Managing Director
Montreal
Patrick.Khouzam@mnp.ca
514.228.7874



Jonathan Banford
Managing Director
Chicoutimi
Jonathan.Banford@mnp.ca
418.696.3924

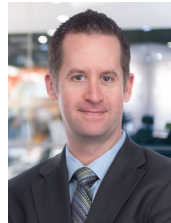


Éric Grondin
Managing Director
Sherbrooke
Éric.Grondin@mnp.ca
819.823.3290

Due Diligence Leadership



Jean-Raymond Lafond
Managing Director
Drummondville
Jean-Raymond.Lafond@mnp.ca
819.473.7251



Craig Maloney
Managing Director
Halifax
Craig.Maloney@mnp.ca
902.493.5430



Johnny Earl
Managing Director
Vancouver
Johnny.Earl@mnp.ca
604.637.1504



John Caggianiello
Managing Director
Toronto
John.Caggianiello@mnp.ca
416.513.4177