

FALL **NEWSLETTER**

NOVEMBER 2023

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TABLE OF **CONTENTS**

04 BUY-SELL SUCCESS IN 2024

06 SUCCEEDING IN THE HOT MIDWEST BUY-SELL MARKET: WHAT 2 DEALERS DID AND HOW OTHERS CAN APPLY IT, TOO

12 WHY SECOND-GENERATION DEALERS ARE LESS COMMON IN TODAY'S BUY-SELL MARKET

15 UPDATE IN QUEBEC: DSMA SIGNS A 6-ROOFTOP TRANSACTION

16 BACK TO NORMAL BY 2024?

18 HOPE OF LIFE: DSMA'S MISSION EXTENDS BEYOND BORDERS!

20 NORTH AMERICAN GOODWILL MULTIPLES

22 VICINITY MOTOR CORP.

26 DSMA RANKS TOP GROWING COMPANY FOR THE THIRD CONSECUTIVE YEAR

DSMA'S **MARKETING TEAM**

Welcome to our DSMA Fall Newsletter.

In a season of transformation, the automotive industry follows in experiencing unprecedented shifts and opportunities. With escalating interest rates rising, the ongoing evolution of electric vehicles (EV) and an atmosphere of uncertainty about the future, the mergers & acquisitions (M&A) market remains a focal point for discussion and analysis.

Within this edition, we offer insights into the buy-sell activity at DSMA throughout the past year, as well as predictions for 2024. We are pleased to announce that in response to its ongoing evolution, we have made strategic expansions to our sales, support and operation teams, culminating in DSMA's recognition as the top-growing company in Canada for the third consecutive year! We take pride in this accomplishment - which underscores our commitment to providing 360-degree support for all of you, our valued clients.

We will also showcase the latest North American Goodwill Multiples breakdown by brand, leveraging the most current market data and trends.

As the year comes to a close, we want to thank you for your continued engagement and interest in our work here at DSMA. We look forward to keeping you informed and inspired in the ever-changing landscape of the automotive industry. No one knows the business like automotive people.

Real people. Real deal.

We wish you and your families a safe and happy holiday season!

Sincerely,



SANDRA LIEM
Dir. of Marketing
sandra.liem@dsma.com



MAXIM GINSBURG
Marketing Manager
maxim.ginsburg@dsma.com



XANA HODGSON
Bilingual Marketing Executive
xana.hodgson@dsma.com



KARINE L. WLASICHUK
Bilingual Marketing Specialist
karine.lw@dsma.com



RICO MARQUES
Creative Marketing Specialist
rico.marques@dsma.com

BUY-SELL SUCCESS IN 2024: DSMA BUILDS ON A TRACK RECORD OF GROWTH IN 2023

There is no doubt that 2023 will be known as an era of change in the automotive industry. For dealers with their eyes on potential buy-sell opportunities, the shifts of the past year beg a crucial question: How will the 2024 market's constant undulation shape their buy-sell strategy?

While it may be true that no one has a crystal ball, all signs certainly point to continued transformation. With 2024 poised to deliver another year of fluid conditions on the buy-sell market, choosing a trusted mergers and acquisitions partner is even more integral to succeeding in your buy-sell goals.

DEALERS ARE READY TO ACT IN 2024

The market is certainly thriving—which is excellent news for dealers looking for the right time to complete their exit strategy or expand their portfolio. Across geographies, a trend of independent dealers ready to consider retirement results in timely opportunities for next-generation dealers looking to build upon the success of established rooftops.

Even with the ample opportunities on the horizon, though, buying or selling a dealership is, as the saying goes, easier said than done. Successfully acquiring or selling a dealership rarely works with a roll-the-dice plan or copy-and-paste approach.

PEOPLE FIRST, FOREMOST AND ALWAYS

Regardless of their exit or acquisition goals, many dealers on the market share similar priorities: a high-quality investment or buyer, alignment in business values, a smooth buy-sell experience and a positive, mutually beneficial outcome for everyone involved.

Since our inception in 2012, our central focus has been and will remain to be our clients and our team. We have redefined the role of a trusted M&A firm into a complete 360-degree partner, present with you through every step of your divesting or acquiring journey.

CONSIDERATIONS FOR A BUY-SELL IN 2024

Over our years in business, not only has DSMA navigated the many fluctuations in the industry — we have thrived amidst them. And as we prepare to close the book on 2023, the continued success our team has delivered for dealers yet again this year reinforces our strong position to support a growing variety of dealers in 2024.

From single rooftops to dealership groups, and from automotive to heavy trucks, marine, powersports, commercial EVs, and more, DSMA has a proven track record across a full range of clients across North America:

- **1700+ dealerships valuations:** A precision valuation is a crucial first step which gives a vital foundation to any dealership buy-sell scenario. An inaccurate valuation can limit opportunities, alienate prospective buyers or sellers, and even lead to a failed transaction. Putting in the work upfront to ensure a superior valuation is key

to DSMA's commitment to providing the right match and a smooth, positive experience.

- **98% franchise applications approved:** As crucial players in the buy-sell process, OEMs hold immense power. Because their approval is required whenever a dealership enters new ownership, identifying a strong buy-sell match is instrumental to earning their approval. 98% of applications filed as part of DSMA-facilitated transactions earn the manufacturer's approval, a true testament to our team's expertise.
- **425+ dealerships sold:** Every dealership is unique, which means every buy-sell scenario is also unique. The 425 sales facilitated by DSMA have included dealerships both urban and rural, large and small, old and new, and of virtually all vehicle OEMs. This range of dealership client experience means DSMA is nimble at harnessing the unique, individual factors of your business to achieve your personal goals..

STAFFING UP TO SERVE EVEN MORE DEALERS

DSMA's ongoing year-over-year growth has meant our team has expanded as well to ensure we can support even more dealers in 2024 with the exact same personalized, one-to-one experience our clients have come to know. It is no coincidence either that this growth has occurred across all departments. DSMA has brought on new team members, each expert in their respective specialties, across the full range of the M&A journey. In fact, in 2023 alone, DSMA has expanded our full-service team by 25%, with now over 50 team members — including seasoned pros in marketing, legal affairs, OEM relationships, and more — covering all of North America.

For dealers who choose to become DSMA clients, this means even more resources at their disposal, yet with the same personalized service and care that has earned the valued trust which their peers have placed in our company from the very start.

WHAT TO EXPECT FROM YOUR DSMA EXPERIENCE

DSMA's 360-degree team includes legal experts, financial advisors, transaction managers, a marketing team, and more to provide dealers with a single trusted partner invested in their success. It starts with our team of "matchmakers," who do the heavy lifting for you to identify targeted, relevant, and qualified buyers to successfully take over your business. From there, DSMA transaction team handles every step of the process — from due diligence, to licensing, to OEM approval, and more.

A PARTNER TO TRUST FROM START TO FINISH

DSMA knows that by working with a single partner, dealers drastically reduce risk. This is why the firm combines multiple specialties in-house to ensure discretion and confidentiality for all parties involved.

To learn more how DSMA can support you in developing your entry or exit strategy, contact us now.



AUTHOR

JOHN CHISHOLM
VP of Sales, Canada
john.chisholm@dsma.com



SUCCEEDING IN THE HOT MIDWEST BUY-SELL MARKET

WHAT 2 DEALERS DID AND HOW OTHERS CAN APPLY IT, TOO

When it comes to the dealership buy-sell market, America's heartland is truly at the center of the action. Whether you're one of the growing number of Midwest-based dealers ready to transition into retirement or an incoming dealer looking to enter the market, interest is piquing in the Midwest's thriving potential for strong buy-sell opportunities.

DON'T APPROACH THE MIDWEST LIKE IT'S THE SAME AS OTHER MARKETS

With some of the country's strongest return-on-investment and a large number of independent rooftops positioned for acquisition, the buzz taking over the Midwest buy-sell market certainly makes sense. But with this spotlight on the region, the market is poised to become a delicate environment for a dealer looking to buy or sell.

In fact, it's because of the unique conditions of the Midwest buy-sell landscape that DSMA, North America's leading mergers and acquisitions firm for automotive, has a dedicated team which specializes in M&A transactions both for dealers located in and those expanding to the region.

"In sports, they call it the home-field advantage — in automotive M&A, we call it being at the forefront," said Jennifer Rafael, Vice President and Partner of Midwest Operations at DSMA. "As a proud Chicagoan, being located in the Midwest means I'm able to keep my finger on the pulse of the local industry as I lead our regional team, so we can take action quickly and intelligently. That's important because what works elsewhere may not always be successful here. Whether you're a dealer currently in the Midwest or a dealer looking to enter the market, working with a partner who's plugged into the landscape is a powerful competitive advantage."

MIDWEST BUY-SELL DEALS ARE UNIQUE, BUT SHARE THEMES

Recently, Jennifer oversaw an acquisition in her hometown market of Chicago that she says offers valuable takeaways for dealer principals considering buying or selling in the Midwest. Under Jennifer's guidance, family-owned Pugi Auto Group of Chicago suburb Downers Grove, Ill., found its new family in locally-trusted Castle Automotive Group.

"Like many independent dealer principals, the owner of Pugi



> “Having a strategic growth plan and identifying the right opportunities in the right markets has allowed us to grow quickly with the right acquisitions.”

Auto Group was ready to start his next chapter and enter a well-deserved retirement, but it was important to him to find an invested caretaker to preserve the legacy he’d built through his business,” Jennifer said. “Meanwhile, Castle Automotive Group was ramping up their growth efforts and in a prime position to build their business through acquisition, but they had a specific vision for the types of opportunities that interested them.”

“Castle Automotive Group has been in the growth mode over the last five years, and our entire team has been motivated to expand our footprint,” said Joe Castle, CEO of Castle Automotive Group. “We’ve had a longstanding relationship with DSMA, which has helped us close more than 15 acquisitions over the years. Having a strategic growth plan and identifying the right opportunities in the right markets has allowed us to grow quickly with the right acquisitions. This has contributed to the success of our recent acquisitions and has strengthened our group’s performance for the future. Our journey didn’t happen overnight — we have planned our strategy for years, working on our foundation and applying the right synergies.”

TAKEAWAYS FOR DEALERS: EVALUATING THE SUCCESS BEHIND DSMA’S CASTLE-PUGI ACQUISITION

Looking back, Jennifer sees five key themes that contributed to the success of Castle Automotive Group’s acquisition of Pugi Auto. She says that by keeping these insights in mind, dealers both on the buy and sell sides can position themselves well for a smooth and positive experience.

1. **Planning, not reacting:** “Castle engaged DSMA early on as their M&A partner so that the best acquisition opportunities could be sought out strategically,” Jennifer said. “Even if you’re not ready to make a move tomorrow, I always recommend engaging us sooner rather than later. That way, you can take the time you need to make preparations, learn what to expect, and ultimately be in a more secure position when it comes time to make a move. Sometimes it becomes necessary to sprint, but as a dealer, you’ll come to thank yourself later if you do yourself a favor early on and take some of the pressure off by starting on your own timeline instead of on somebody else’s.”

2. **Quality, not quantity:** “By working proactively, we had the time and focus to deliver

truly strong opportunities, not just what was possible in the moment," Jennifer said. "Not all buyers or sellers, for that matter, are created equal. A dozen opportunities mean nothing if those opportunities aren't strong ones. Whether you're looking to exit or to grow, it's important not to lose sight of your strategic goals. Anytime we work with a dealer, we take on their business as our own to ensure we are being good stewards of their trust and delivering opportunities that are truly a fit for them specifically."

3. **The right fit, not any fit:** "From either side of the equation, it's crucial to prioritize finding the right match, both as a buyer and as a seller," Jennifer said. "Pugi's ownership sought a successor who would honor the legacy with which they'd be entrusted, and the owners of Castle sought an opportunity to build their portfolio strategically, not just grow for the sake of adding rooftops. What Castle wanted was to deliver a full range of vehicle OEMs to fit the needs of its customers, and Pugi Auto Group filled just that gap."

4. **Collaborators, not rivals:** "A buy-sell scenario is certainly a delicate environment, which is why the chemistry between the parties is so important," Jennifer said. "Anytime we're involved in a transaction, our goal is to do our part to help ensure that everyone comes out of the deal feeling positive about the experience. As a business owner, it isn't every day that you're buying or selling a company, so it's only understandable that the situation can sometimes feel a bit pressured. At the end of the day, all most buyers want is to continue the success of what another dealer has built, and all most sellers want is to find someone who values their legacy as much as they do. Embracing this as a shared goal goes a long way toward a successful deal."

5. **Big picture, not tunnel vision:** "Because DSMA provides 360-degree service, we're able to evaluate buy-sell opportunities at a holistic level, not just from the limited viewpoint of a standard automotive M&A broker," Jennifer said. "For the owners of Castle, that meant they had a true strategic partner through our team, not just another vendor who'd come to check a box, cash a check, then go along their way. At DSMA, our end-to-end capabilities, including our best-in-class valuations, allow us to dig into the finer details of an opportunity to help buyers and sellers both be confident in an opportunity."

WHAT TO KNOW ABOUT DSMA IF YOU'RE CONSIDERING MAKING A MOVE

Buying or selling a dealership or group is a major decision, so it's important to choose your M&A partner carefully. A trusted M&A firm like DSMA can help you achieve your goal to make an exit or expand your business while helping to ensure a fair deal and positive experience for everyone involved. If you're on the hunt for an M&A partner, here's what you can expect from DSMA:

1. **A head with a heart:** "Whichever side of the deal table you sit on, a fair value for the dealership in question is baseline," Jennifer said. "But for most dealers, it's more than just the numbers that they care about. Not only does a good deal need to make sense financially, it also needs to make sense





strategically and emotionally. Automotive is a people-first industry, so I know I'm in good company when I say my goal is always to do my part to help secure a deal that makes everyone feel like a winner. Ultimately, it's about committing to finding the right match. We at DSMA may be selective when we're proposing potential buyers or sellers, but that's because we always prioritize pairing up dealers whose goals are aligned and have authentic chemistry with each other to help ensure that everyone has reason to get excited about the deal."

2. Trust at the foundation: "I consider it a privilege to be trusted by dealers during what can sometimes be a delicate process, and nothing matters more to me than honoring that trust," Jennifer said. "Whether you're buying or selling, the business we're in is a highly personal space, so working with a partner who respects the emotional factors at play and facilitates the right deal chemistry is crucial to providing a positive experience for all parties involved. Ensuring confidentiality throughout the process is crucial to avoid speculation, which not only injects anxiety and uncertainty within a team but can even threaten a pending transaction. At DSMA, we like to say that your business is no one's business but your own."

> "We have all the functionality in-house, we're able to provide end-to-end service — which means we can be a single point of contact for dealers no matter what stage of the M&A journey they're on."

3. Personal touch with full-circle partnership: "Few automotive M&A firms can rival the full-service capabilities that DSMA has," Jennifer said. "Because we have all the functionality in-house, we're able to provide end-to-end service — which means we can be a single point of contact for dealers no matter what stage of the M&A journey they're on. DSMA has the largest in-house finance team in North America, along with an in-house essential services and marketing team. In addition to these professionals, DSMA also has an essential services department

which benefits from the expertise of former OEM executives who ensure a smooth closing from letter of intent to OEM approvals. What we give dealers is a solution to the problem of multiple, disconnected lever-pullers — we're able to be a single, invested partner who integrates deeply into your business and invests in your ultimate success."

LET'S DISCUSS HOW WE CAN HELP YOU

With over 425 dealerships sold, DSMA is North America's leading automotive M&A firm. The journey begins with one of the company's industry-leading dealership valuations — a key first step to ensuring fair value, attracting qualified buyers, and laying the foundation for a smooth process. And after an average of just 171 days, the parties involved are celebrating the closing of a successful deal.



As a dealer looking to grow your footprint, there are five key steps to the process:

1. **Planning and identifying markets:** DSMA knows the importance of a targeted approach, which is why the firm's process begins by partnering with dealers to build a strategic foundation.

2. **Brand diversifications:** Just like a stock trader wants a diverse portfolio to reduce risk, it's also a good practice as a dealer to diversify your vehicle brand offerings.

3. **Growth modeling:** Every dealer's growth journey is unique, so DSMA works with dealers to define a model that is unique to them, too.

4. **Capitalization:** Making a large purchase such as a new acquisition can make an impact on a company's balance sheet, which is why capitalization is an important part of the process.

5. **Comprehensive profile packages:** As a dealer eyeing a potential purchase, it's important to have a 360-degree view of the asset, so DSMA partners with buyers to take a holistic view of the business.

"Jennifer Rafael is DSMA's trusted source for dealers looking to make a move in the Midwest market," said Farid Ahmad, CEO of DSMA. "Her team adds knowledge and information that contribute a high level of value to our strategic growth plan. This has allowed Castle Automotive to make the right acquisitions in the markets that make sense for their growth."

For the owners of Pugi Auto Group and Castle Automotive Group, DSMA's strategic approach, full-service execution and Midwest market expertise proved valuable assets in securing a positive and lucrative transaction. If you're a dealer who's considering getting in on the exciting opportunities of the Midwest buy-sell market, contact us now to discuss your goals and timing.

"A thought-out plan makes all the difference," Jennifer said. "With an office right in the Midwest hub of Chicago, we're conveniently located to help groups grow with a specific action plan, creating value and strategies to make successful acquisitions."

ABOUT THE AUTHOR

Jennifer Rafael is Vice President and Partner of Midwest Operations for DSMA. With 20 years of automotive experience, including multiple senior management roles in finance, Jennifer is an industry expert in dealership mergers and acquisitions. As a Partner at DSMA, she leads the firm's expansion into the growing Midwest dealership market. She holds a BA and an MBA in Business and Finance.



AUTHOR

JENNIFER RAFAEL
Partner, VP Midwest, USA
jennifer.rafael@dsma.com

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WHY SECOND-GENERATION DEALERS ARE LESS COMMON IN TODAY'S BUY-SELL MARKET

The dealership buy-sell market has changed substantially in 2023 under the weight of economic headwinds, new technologies, and uncertainty toward the future of the industry. For those looking to exit the car business, knowing the current M&A landscape is more crucial than ever.

Our CEO and Founder, Farid Ahmad, joined Driving Solutions host Jim Fitzpatrick to discuss this issue further.

For years, Farid has helped match retailers with the best possible buyers, overseeing some of the biggest transactions in the modern buy-sell market. His insights into both sides of the transaction allow him to guide retailers through their exit strategies like few others can. Now, he discusses how today's M&A landscape has changed and what dealers can expect in the future.

A TEMPORARILY DETERIORATING MARKET

You could say that 2023 was an odd year: we witnessed a deterioration of the dealership buy-sell market which was caused by economic factors such as high-interest rates and early-year instability among U.S. banks – making lenders and buyers more cautious, resulting in lower "Goodwill" payments. In fact, bankers were visibly nervous to lend against Goodwill, causing a downward pressure on Goodwill numbers and multiples, and in turn creating quite the dilemma for those hoping to sell within this timeframe. Farid notes that although Goodwill numbers were down 11% from the previous year, we are still expecting further severe drops – and the average Goodwill being around 11 million dollars, this is not something to take lightly.

As a result, dealers have had to reassess the value of their assets. Indeed, as the North American housing market dropped 20%, the current M&A landscape requires adjustments, and a full reassessment of your business is a good first step in preparedness. Some have decided to wait out this adjustment period and consider selling when the buy-sell market recovers, but many are still actively searching for storefronts to acquire or sell their own. After all, circumstances such as retirement, succession planning,



and lower sales numbers are still commonly pushing owners to sell, regardless of the market's financial climate.

It is also important to note that although larger automotive groups are not as concerned about higher interest rates and possible financial losses, they have certainly become more strategic with their rooftop choices and have opted for sideline positions in more scenarios than none. The exception remains for the rare occasion in which the crowd favourites, such as Toyota or Mercedes-Benz, go up for sale – they will be purchased and fought over no matter the context.

CONCERNS OVER THE RISE OF EV

Rising interest rates and operational costs have led some family-owned dealers to leave the automotive industry entirely rather than pass their business on to the next generation. One of those reasons? The leftover concerns that electric vehicles will weaken valuations in the coming years, making now the ideal time to sell.

Indeed, the growing demand from OEMs to push EV sales worries dealers, as North America is not quite prepared to service them yet. As weary consumers witness a lack of functioning charging stations, pricier models, and experience range anxiety regarding the newer technologies, they keep choosing regular engines over environmentally friendly models. On the other side of the coin, OEMs are pressuring dealers to fill their lots with their latest EV – and the imbalance does not go unnoticed.

For those reasons, Farid has noted that there is growing build-up of EV inventory in many U.S. Ford dealerships, and he expects to see a lot more in the coming months.

A NOTICEABLE DECLINE IN FAMILY BUSINESS TAKEOVERS

We are also seeing a trend in which the second generation increasingly shows interest in other avenues than the auto industry. The average dealer's age being 70 years old, we can understand why they may be looking into succession alternatives such as larger auto groups, not wanting to leave their family members with financial stress:

"Some of these dealers that are looking to transition out of their business have realized unless their next of kin take a large loan, which they don't believe is going to help them, they're looking for alternatives... I do think there's a

shift moving from really focusing on the next generation to: 'Maybe I should take all my chips off the table today and sell it to a growing organization.'" — Farid Ahmad

LOOKING TO SELL?

For those looking to sell, Farid presses three distinct points to consider. First, he urges dealers to get their businesses professionally appraised using a hands-on partner such as DSMA. Second, retailers must also clean their books, ensure operational efficiency, and check that their financial records are in order - this is no time to underestimate the importance of due diligence. Lastly, dealers should set realistic expectations for what buyers are willing to pay. If they fail to do this, their business may sit on the market for a very long time.

LOOKING TO BUY?

For those looking to purchase, he suggests to keep deals simple, as lengthy letters of intent or complicated proposals can deter high-quality sellers. Farid also recommends that buyers remain flexible on smaller details and show leeway toward dealership owners where necessary – no need to sweat the small stuff. Finally, today's fast-paced buy-sell market means that retailers need to not only have their finances in order before they approach a possible seller, but that they also need good knowledge of the brand they are about to purchase. Indeed, knowing the OEM you are applying for and what they are looking for in a partner is crucial. The goal here is to be informed before you place an offer.

AN EXPERT'S OPINION

In an interesting end to the interview, Farid was asked if HE would sell if he were a dealer in today's M&A landscape. His answer was two-fold: if he were losing sales and situated in a rural market, he would most definitely consider selling to a larger automotive group. But if he were recording steady sales in an active metro market, he would consider other options, such as bringing in a junior partner and keep the business going.

IT ALL STARTS WITH A CUP OF COFFEE

In the end, Farid emphasizes that when it comes to selling your dealership, nobody should feel pressured into offering up their lifelong business for a quick listing – this is the biggest decision most dealers will make in their lifetime, so they should feel welcomed to ask as many questions as they want to and have a relaxed conversation about the topic. Setting realistic objectives for their future with an expert's recommendations starts over a cup of coffee.



AUTHOR

FARID AHMAD
Chief Executive Officer
farid@dsma.com



AUTHOR

JIM FITZPATRICK
CBT News



AUTHOR

COLIN VELEZ
CBT News

Originally written by Colin Velez, with collaborative efforts from the DSMA marketing team

> "Some of these dealers that are looking to transition out of their business have realized unless their next of kin take a large loan, which they don't believe is going to help them, they're looking for alternatives...I do think there's a shift moving from really focusing on the next generation to: 'Maybe I should take all my chips off the table today and sell it to a growing organization.' "

UPDATE IN QUEBEC: DSMA SIGNS A 6-ROOFTOP TRANSACTION

Excerpt of an article published on AutoMedia.ca, Nov. 24, 2023
By Claudine Hébert

Desjardins Automotive Group has recently purchased the four Honda dealerships in the Greater Montreal area that belonged to Samatas Group.

The transaction, which was overseen by François McDonald's team at DSMA, includes the Excel Honda dealership in Montreal, Encore Honda in Châteauguay, St-Constant Honda in Saint-Constant, and Vaudreuil Honda, Vaudreuil-Dorion. The agreement also includes Excel Moto dealership in Montreal, as well as an S&H Leasing office in Montreal.

OVER 4,600 SALES ANNUALLY

"The four Honda dealerships alone represent annual sales of over 3,000 new and 1,600 pre-owned vehicles," says DSMA associate François McDonald. The Samatas family sells its dealerships, but remains involved in the day-to-day operations.

DESJARDINS AUTOMOTIVE GROUP

These new acquisitions represent two major steps forward for Desjardins Automotive Group. Firstly, they bring the number of new car dealerships to 17 dealerships. This makes the company one of the top 5 automotive groups in Quebec. [...]



Encore Honda



St Constant Honda



Vaudreuil Honda



Excel Honda

> "The sale of a family business is never easy but Francois made the process as seamless as possible. He was supportive and worked diligently on our behalf to find a buyer that best fit our situation. He went above and beyond the role of a broker with his excellent communication between the purchaser and us."
>
> Excerpt of the testimonial from Group Samatas

BACK TO NORMAL **BY 2024?**

To all the dealers who believed that the pandemic had succeeded in transforming the workings of the automotive industry's business model into a "just-in-time delivery" format, beware! All the signs are there: 2024 will mark the return of the operational framework which manufacturers have favoured for decades.

THE SIGNS ARE CLEAR

The year 2023 is not yet over, but there are already several signs pointing to this return. Starting with the first-quarter results for light-vehicle sales. According to our data here at DSMA, these sales were up by almost 8% (7.6%) compared to the same date in 2022. Although not quite back to pre-pandemic levels, these results show that the automotive industry is gradually getting back on track.

The fact that GM's Q3 2023 performance was one of its best in four years is a further indication. The American manufacturer's production has picked up again, enabling it to generously replenish the yards of its dealerships across North America.

INCREASING INVENTORY DAYS

Speaking of refueling, the number of inventory days is on the rise. Overall inventory levels remain relatively stable. Days' supply stood at 60 at the start of October, which was 14 days higher than the same time a year ago. Supply has been inching toward a 60-day average level, which is considered normal and ideal across the industry.

It is important to understand that manufacturers are first and foremost public companies that answer to their shareholders, and who share a common objective of growth. And what does growth mean? Increased production - and with it, more vehicles in dealerships.

LOWER PROFITABILITY IN SIGHT

Presumably, this return to normality with a wider choice of vehicles will please consumers. But it is not necessarily desirable to dealers, who, thanks to the economic climate, are already facing quite a few headwinds. Many of them will have to cope with a loss of profitability- a sad reality we see and hear from our North American customers.

RISING INTEREST RATES WILL HURT DEALERS...

The Bank of Canada's historic interest rate hike, which began in March 2022, is largely responsible for this slowdown. In interest alone, it now costs dealers nearly a dozen dollars a day for each vehicle in their



dealership's parking lot. Do the math. Since the average cost price of a vehicle in this country is now over $65,000, and the average duration of inventory exceeds 50 days, a dealership must now budget just over $600 in interest for each product it holds in its yard. Not to mention, this is only the interest to be paid on other inventory-related costs. The dealership's other expenses, such as outstanding loans, are also affected by the dizzying rise in interest rates imposed by the Bank of Canada.

> "Succession situations may be more difficult to achieve, as solo dealers may find themselves in a precarious situation. In other words, companies that own more than one brand are more likely to be better equipped to face the obstacles that will arise in the coming months."

...AND CONSUMERS ALIKE

This rise in interest rates also affects consumers' purchasing power. Sure, they are entitled to a better inventory, but they too are hurting from the financial impact of this situation. In addition to having to navigate with an interest rate that now exceeds 7%, even 8%, on the vehicle bill, the increase in the average cost of cars is putting a strain on many budgets. Indeed, the average price of a vehicle rose by at least 21% year-on-year in the 2nd quarter. In the sport-utility vehicle category, the jump was even more than 30%.

For example, before the pandemic, $800 a month was enough to lease a luxury German model. Today, that's barely enough to get behind the wheel of a lower-range vehicle.

DEALERSHIP TRANSACTIONS IN SIGHT

Consequently, all these factors influencing the automotive industry while affecting company profitability will encourage opportunities for dealership transactions. Succession situations may be more difficult to achieve, as solo dealers may find themselves in a precarious situation. In other words, companies that own more than one brand are more likely to be better equipped to face the obstacles that will arise in the coming months. And provided they're well managed, many of them will be keen to take advantage of the situation to enhance their portfolios.



AUTHOR

MAXIME THÉORÊT
Managing Partner
maxime@dsma.com

DSMA'S MISSION EXTENDS BEYOND BORDERS!

In September, the DSMA executive team travelled to Guatemala, on an incredible journey with Hope of Life (HOL) International, in their primary mission to save lives and end poverty.

It was an experience that touched the lives of every member of the executive team, with each one of us bearing witness to the remarkable accomplishments of this non-profit organization. Our involvement extended beyond monetary support and encompassed shared ideas, volunteered efforts, and in-kind resources, all aimed at fostering more robust and resilient communities in Guatemala.

For over three decades, Hope of Life has been providing nutritional support through medical intervention for children at extreme risk of death, caused by malnutrition. At the heart of their commitment lies the Medical Intervention program where our team traveled with the emergency medical personnel to a remote village where we helped transport both a child and parent to the Nutritional Recovery Center on campus; here, children receive essential treatment without imposing any financial burden on their families.

Hope of Life calls a 3,000-acre mountainous terrain home and serves hundreds of thousands of people each year, both through physical and spiritual programs, with one continuing goal: to Save Lives. Our team spent time in the various facilities operated by HOL including their local hospital, orphanage, seniors' residence, food donation centre and Kelly's House - a full-time centre for kids with one or more severe physical or cognitive disabilities. We witnessed the incredible group of families, therapists, doctors, nurses, social workers, and volunteers who came together to provide companionship, love, and professional medical care to enable these children to achieve their highest potential and greatest quality of life.

Our visit also marked the Independence Day of Guatemala, as we celebrated with the students at Liberty School, situated on the Hope of Life mountaintop. Children from kindergarten to grade 12 commemorated the occasion with presentations of song and dance. All over the country, people of all ages lined the streets, carrying flags and a lit torch - a tradition that represented the messengers who originally disseminated the news of independence throughout Central America.

The lit torches served as a powerful emblem for our entire team as we concluded this transformative trip. The torch



of fire symbolizes our role as beacons of passion and messengers of Hope of Life's transformative vision within our own homes and communities. It signifies our unwavering commitment, both as individuals and as a company, to consistently contribute to the world and our duty to give back.

For more information on Hope of Life International, visit

www.hopeoflifeintl.org



AUTHOR

SANDRA LIEM
Dir. of Marketing
sandra.liem@dsma.com

"The true measure of a company's success lies not just in its profits but in the positive change it can bring to the world. Charitable work isn't just a choice; it's our responsibility. As a company, we believe that our success is intertwined with the well-being of the communities we serve. The more we give, the richer we become in the currency of humanity. DSMA's journey with the Hope of Life International is a testament to the enduring value of corporate philanthropy, reminding us that, in the end, the most meaningful returns are measured in the lives we touch and the hope we ignite."

– Farid Ahmad

NORTH AMERICAN **GOODWILL MULTIPLES**

CURRENT MULTIPLE RANGES BY BRAND

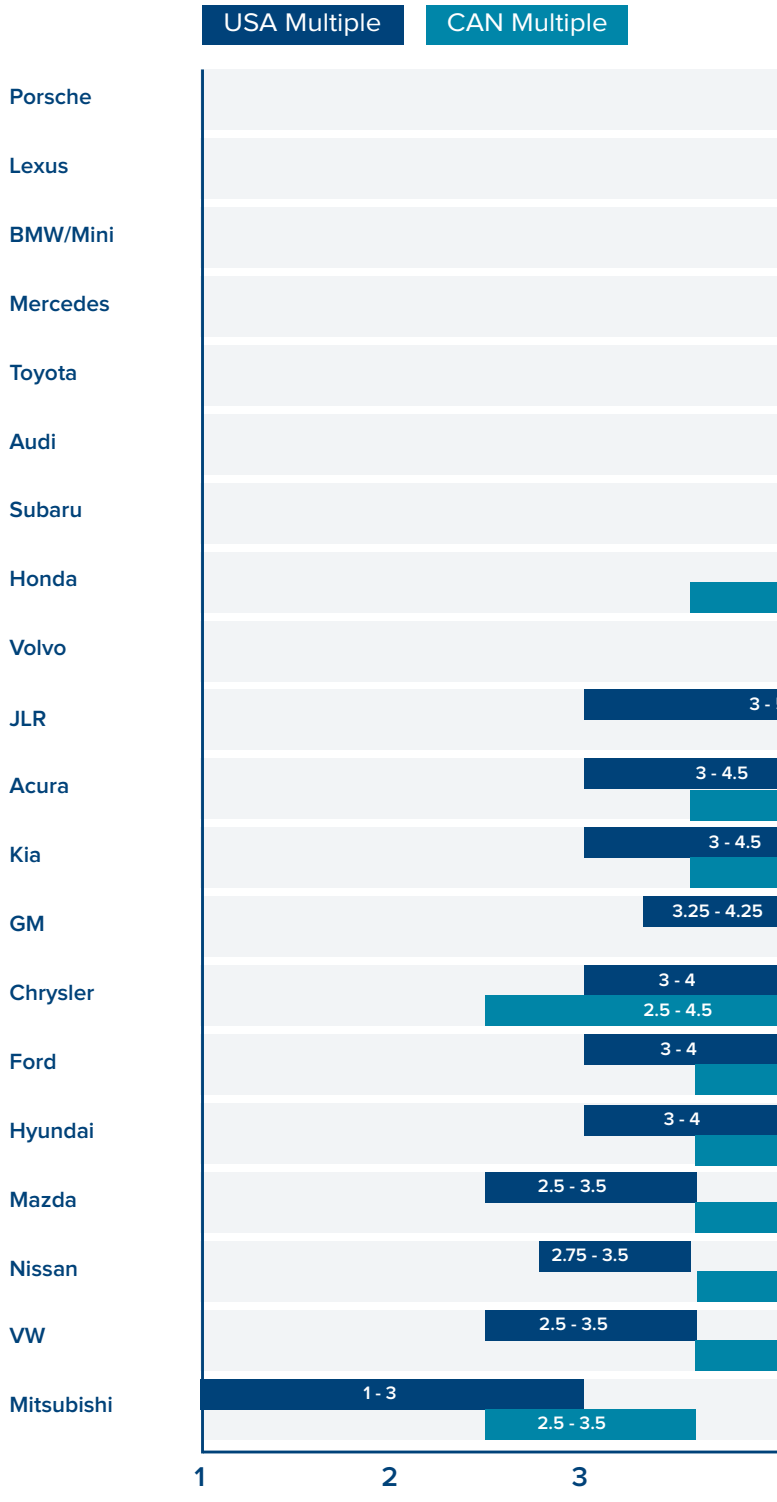
Many factors affect the actual Goodwill Multiple achieved when a dealership or group are sold. The values depicted here are an average based on current performance and economic trends from across the United States and Canada.

It is also important to note, that the only way to know the potential Goodwill Multiple for your dealership is to have your business valued by a professional CPA who truly understands the automotive industry.

DSMA has valued over 1,700 dealerships over the last few years and is the leading source for automotive dealership valuations in North America.

DSMA's valuations are trusted by banks, financial institutions, manufacturers, and dealers, like you.

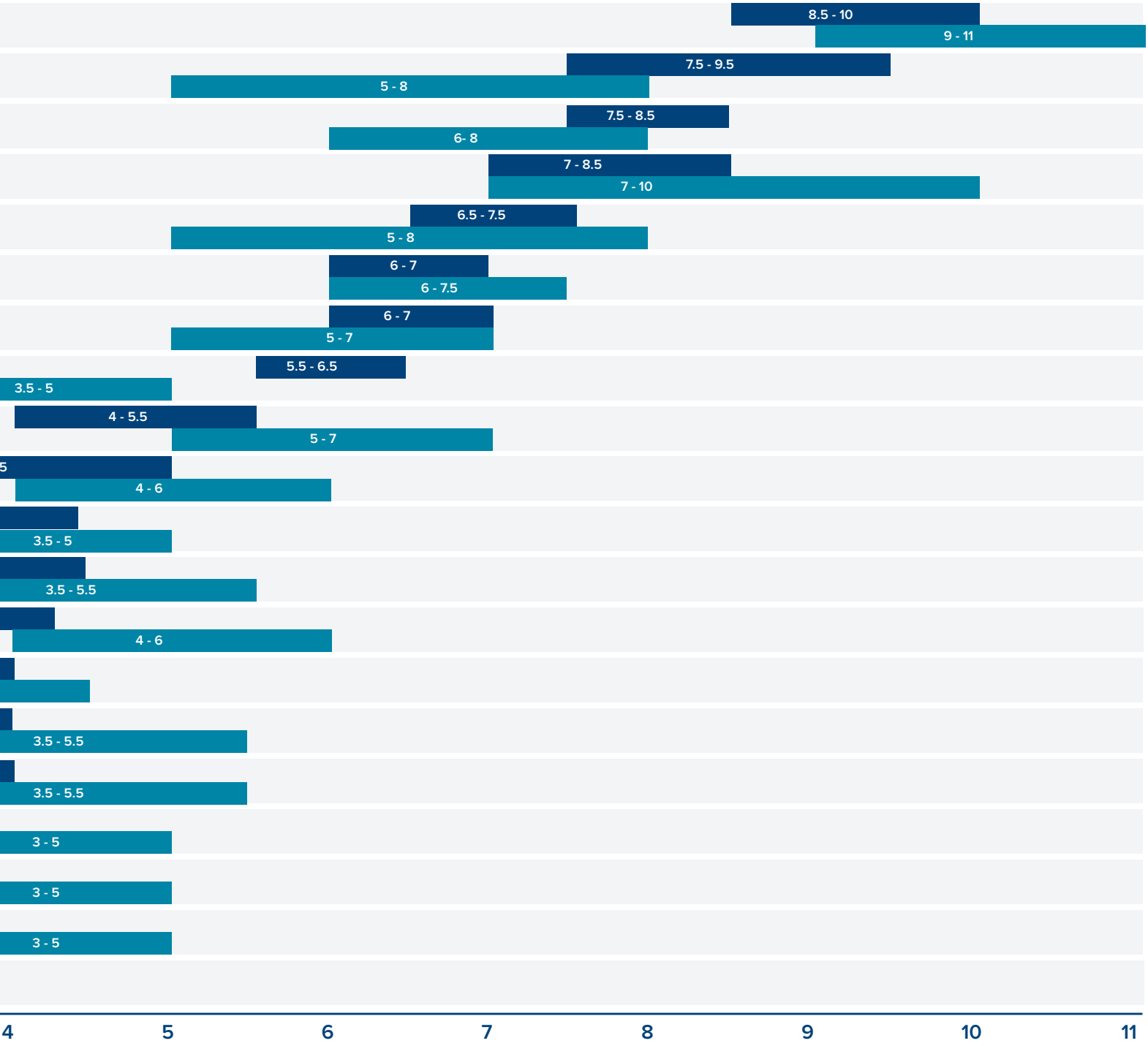
If you would like to understand the Goodwill Multiple for your business, call DSMA at **833.650.4188** and ask to speak to your local valuation expert. All shared information will remain confidential.



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VICINITY **MOTOR CORP.**

Vicinity Motor Corp. (VMC), a North American commercial electric vehicle supplier, has signed a dealer network development services agreement with Dealer Solutions Mergers and Acquisitions (DSMA) to enhance North American market penetration for its Class 3 VMC 1200 all-electric trucks.

DSMA will help Vicinity secure high-value dealer partnerships that maximize its ability to deliver VMC 1200 trucks to market while ensuring customer satisfaction. VMC franchises have started to become available to buyers.

• Production now underway at the Company's U.S. Manufacturing Campus in Ferndale, Washington.

• Entered strategic partnerships with Lafarge Canada, Canada's largest supplier of sustainable building materials, to electrify their truck fleet.

• DSMA has facilitated Letter of Intents (LOIs) with 5 dealers for territories in Canada; Quebec (1), Ontario (3) and Alberta (1), in addition to the first dealer currently operating in Vancouver. 8 distributors are expected to be appointed by end of 2023.

DSMA, in exclusive partnership with VMC will now begin the process of seeking distribution partners within the United States. With an expansive vision, VMC aims to tap into all available markets across the country and strategically identified 17 priority states, each holding immense potential for growth and market penetration.

THE IDEAL CANDIDATE:

- Proven fleet sales experience
- Established class 3/5 customer base including last mile delivery operators, landscapers, HVAC installers, solar installers, etc.
- Pioneering mentality and ready to lean into building a market.
- Bought into electrification

Join us in revolutionizing the future of transportation.

For more information on how you can be a distributor, contact us:

Peter Porteous
Dir. Network Development
peter.porteous@dsma.com

Rick Kingdon
Dir. Open Point Placement
rick.kingdon@dsma.com

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DSMA RANKS TOP GROWING COMPANY FOR THE **THIRD CONSECUTIVE YEAR**

DSMA is pleased to announce it was recognized by the 2023 Report on Business ranking of Canada's Top Growing Companies.

Canada's Top Growing Companies ranks Canadian companies on three-year revenue growth. DSMA earned its spot with **a three-year growth of 280%.**

DSMA (Dealer Solutions Mergers and Acquisitions) is a leading M&A consulting firm that has reshaped the automotive dealership landscape in North America. Founded in Toronto, the firm hires locally based Mergers and Acquisition advisors in regional hubs across all North America to handle each step of their clients' buy-sell process. Indeed, DSMA experts combine their deep understanding of the automotive industry with their keen insight into local markets to help dealers across the continent. Over the last five years, DSMA has generated billions of dollars for their clients, solidifying their position as Canada's premier M&A firm.

Boasting over 1,000 years of collective automotive industry experience amongst their experts, DSMA has grown into the leading buy-sell transaction partner across North America ever since their 2018 expansion to the United States. With an extensive network of industry experts, they offer real-time knowledge and hands-on experience while guiding clients through a transparent process. Their confidential approach demonstrates an unwaveringly commitment to their clients' success.

"On behalf of the DSMA team, Maxime Théorêt and I are so excited to make it on the list for the 3rd year in a row, as one of the fastest growing companies in Canada! Any successful growing organization starts with its people - that's what it comes down to." said Farid Ahmad, Founder and CEO of DSMA. "We are proud to work with some of the most dedicated, hard-working and brightest individuals in the industry, who are the foundation for our continuous growth. This recognition is for you, the people that make up the DSMA team."

ABOUT CANADA'S TOP GROWING COMPANIES

Canada's Top Growing Companies is an editorial ranking that was launched in 2019, which aims to highlight the accomplishments of innovative businesses in Canada. In order to qualify for this voluntary program, companies had to complete an in-depth application process and fulfill requirements. In total, 425 companies earned a spot on this year's ranking.

2023
REPORT ON BUSINESS
CANADA'S TOP GROWING COMPANIES

THE GLOBE AND MAIL 2021 REPORT ON BUSINESS CANADA'S TOP GROWING COMPANIES

THE GLOBE AND MAIL 2022 REPORT ON BUSINESS CANADA'S TOP GROWING COMPANIES

The full list of 2023 winners along with editorial coverage is published in the October issue of Report on Business magazine. The list is out now and can be viewed online.

"Canada's Top Growing Companies acknowledges the drive and ingenuity displayed by Canadian business," says Dawn Calleja, Editor of Report on Business magazine. "This year's ranking serves as an inspiration for future business owners."

"This year's Report on Business magazine's list of Top Growing Companies shows how innovative ideas always rise to the top, perhaps even more so in times of uncertainty," says Andrew Saunders, CEO of The Globe and Mail. "The Globe and Mail congratulates this year's winners for meeting and surpassing those economic challenges."

"Any successful growing organization starts with its people - that's what it comes down to. We are proud to work with some of the most dedicated, hardworking and brightest individuals in the industry, who are the foundation for our continuous growth."



EXECUTIVE **TEAM**



FARID AHMAD
Chief Executive Officer
farid@dsma.com



MAXIME THÉORÊT, CPA
Managing Partner
maxime@dsma.com



JOHN CHISHOLM
VP. Sales, Canada
john.chisholm@dsma.com



ANDY CHURCH
VP. Southeast USA
andy@dsma.com



JENNIFER RAFAEL
VP. Midwest USA
jennifer.rafael@dsma.com



KYLE CHASE
VP. Southwest USA
kyle.chase@dsma.com



ERIC LEVITT
VP. Central/West USA
eric.levitt@dsma.com



KATIE NAUGHTON
ViP. Central/West USA
katie.naughton@dsma.com



ETIENNE DEMEULES, CPA
Dir. of Finance & Valuation / M&A
etienne.demeules@dsma.com



SANDRA LIEM
Dir. of Marketing
sandra.liem@dsma.com



JESSI KESSEL
Talent Acquisition, Training
and Development Manager
jessi.kessel@dsma.com



ANTHONY CODISPOTI, CPA
Manager - Valuations / M&A Services
anthony.codispoti@dsma.com



VERONIQUE BOUCHER
IT & Process Manager
veronique.boucher@dsma.com



CARMEN MARTIN
Executive Assistant
carmen.martin@dsma.com

CANADIAN ASSOCIATE **TEAM**



CANADA

JOHN CHISHOLM
Vice President, Sales
john.chisholm@dsma.com



BRITISH COLUMBIA

RICK KINGDON
Principal M&A Executive
rick.kingdon@dsma.com



WEST

JEFF RENAUD
Principal M&A Executive
jeff.renaud@dsma.com



ONTARIO

LEV KOWALSKY
Principal M&A Executive
lev.kowalsky@dsma.com



ATLANTIC

KEVIN LESLIE
Principal M&A Executive
kevin.leslie@dsma.com



ONTARIO

DARREN SAVAGE
M&A Associate
darren.savage@dsma.com



ONTARIO

JOHN RAYMOND
M&A Associate
john.raymond@dsma.com



ONTARIO

ROB MACKENZIE
M&A Associate
rob.mackenzie@dsma.com



WEST

DEAN PEZDERIC
M&A Associate
dean.pezderic@dsma.com



QUEBEC

FRANCOIS MCDONALD
Principal M&A Executive
francois.mcdonald@dsma.com



QUEBEC

MANON MESSIER
Principal M&A Executive
manon.messier@dsma.com



QUEBEC

HUGO MESSIER BÉLANGER
M&A Associate
hugo.belanger@dsma.com



QUEBEC

GRACIELLE SILLS
M&A Associate
gracielle.sills@dsma.com



CANADA

PHILIP PAYNE
M&A Associate Bodyshop
philip.payne@dsma.com



CANADA

DIANE DESILVA
Sales Support Specialist
diane.desilva@dsma.com



CANADA

WENDY DURWARD
Dir. of Acquisition Management
wendy.durward@dsma.com



VMC

CHRIS JULIAN
Dir. Network Development
chris.julian@dsma.com



VMC

PETER PORTEOUS
Dir. Network Development
peter.porteous@dsma.com

ESSENTIAL SERVICES **TEAM**



MAXIM GINSBURG
Marketing Manager
maxim.ginsburg@dsma.com



XANA HODGSON
Bilingual Marketing Executive
xana.hodgson@dsma.com



RICO MARQUES
Creative Marketing Specialist
rico.marques@dsma.com



KARINE L. WLASICHUK
Bilingual Marketing Specialist
karine.lw@dsma.com



NICOLA BIGGS
Legal Counsel
nicola.biggs@dsma.com



JASMINE KHREICHE
Paralegal
jasmine.khreiche@dsma.com



RITA JIANG, CPA CFA
Deal Advisory & Valuation
rita.jiang@dsma.com



IVY LU, CPA
Deal Advisory & Valuation
ivy.lu@dsma.com



TYLER OSBORNE
Deal Advisory & Valuation
tyler.osborne@dsma.com



DINA-MARIE ESTEVAO
Junior Financial Analyst
dinamarie.estevao@dsma.com



KARIM NOUER
Junior Financial Analyst
karim.nouer@dsma.com



THEODORE SIMON
Junior Data Engineer
theodore.simon@dsma.ca

USA ASSOCIATE **TEAM**



SOUTHEAST

ANDY CHURCH
Vice President
andy@dsma.com



MIDWEST

JENNIFER RAFAEL
Vice President
jennifer.rafael@dsma.com



SOUTHWEST

KYLE CHASE
Vice President
kyle.chase@dsma.com



CENTRAL/WEST

KATIE NAUGHTON
Vice President
katie.naughton@dsma.com



CENTRAL/WEST

ERIC LEVITT
Vice President
eric.levitt@dsma.com



SOUTHEAST

BILL FIELDS
Principal M&A Executive
bill.fields@dsma.com



MIDEAST

GREG BROWN
M&A Associate
greg.brown@dsma.com



CENTRAL/WEST

JODY HENDERSON
M&A Associate
jody.henderson@dsma.com



NEW YORK

LINDA BARNETTE
M&A Associate
linda.barnette@dsma.com



SOUTHEAST

ROBERT SCHLICHT
M&A Associate
robert.schlicht@dsma.com



CENTRAL/WEST

GARY SWARTZ
M&A Associate
gary.swartz@dsma.com



TEXAS

CODY CANTU
M&A Associate
cody.cantu@dsma.com



MIDWEST

KEVIN CHRIST
M&A Associate
kevin.christ@dsma.com



SOUTHEAST

CHRIS FOSHEE
M&A Associate
chris.foshee@dsma.com



MIDWEST

JONATHON MORONI
Business Development Manager
jonathon.moroni@dsma.com



USA

CHRISTINE MARZE
Acquisitions Deal Manager
christine.marze@dsma.com



USA

JOHN HILL
Dir. Acquisition Management
john.hill@dsma.com



USA

DANIEL RESTREPO
Sales Support Specialist
daniel.restrepo@dsma.com



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Corporate Headquarters

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4851 Tamiami Trail North,
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