

DSMA AUTOMOTIVE
INTELLIGENCE REPORT
Q4 2023

NORTH AMERICAN
QUARTERLY UPDATE

DSMA

REAL PEOPLE. REAL DEAL.

DSMA **WELCOME**

Dear Reader,

We are delighted to extend a warm welcome to you as you delve into the DSMA Automotive Intelligence Report. We invite you to explore the latest insights in the North American automotive landscape, including buy-sell activity, industry updates and the dynamics impacting auto retail.

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

At DSMA, we remain at the forefront of the industry, which allows us to deliver exceptional results. Our commitment to confidentiality, professionalism, our people, and, most importantly, our clients, is encapsulated in our guiding philosophy: Real People. Real Deal. As you explore the report, you'll gain a deeper understanding of our collective expertise and the 360-degree approach we bring to every client relationship and transaction.

Whether you are considering a strategic sale, seeking the ideal acquisition, or looking for a comprehensive business valuation, we are here to support you. We offer a unique blend of market data, insights, experience, and an unwavering dedication to excellence that sets us apart in the automotive advisory space.

For more information, please reach out to one of our local M&A Associates found on pages 32-35 of this report. We hope you find the DSMA Automotive Intelligence Report valuable to your business.

Sincerely,

F. Ahmad

Founder and CEO
On behalf of all DSMA Partners



“At DSMA, we remain at the forefront of the industry, which allows us to deliver exceptional results. Our commitment to confidentiality, professionalism, our people, and, most importantly, our clients, is encapsulated in our guiding philosophy: Real People. Real Deal.”

INDUSTRY **OVERVIEW**

Inventory rebounds coupled with shifting consumer sales trends continue to put downward pressure on dealer profitability

Inventory levels are rapidly normalizing, with average days' supply reaching 71 across the industry in December; the first time in two years.

Incentive spending likely to increase with inventory levels. This could help moderate vehicle prices and contribute to a sales boost in 2024.

North American new vehicle gross margins declining into 2024; expectations on future performance mixed

New vehicle gross margins continue to decline as the seller's market appears to be over.

Affordability will limit potential growth in both the new- and used-vehicle markets across North America but will continue to improve – **some U.S. and Canadian economists predict central banks to cut interest rates by 50 to 100 basis points (0.5 – 1%) in 2024,** and vehicle prices will adjust with the downward price pressure.

Soft landing likely happening in U.S., while Canada still experiencing recovery challenges with lower economic growth forecasts and persistent labour market challenges.

OEM sales show GM, Honda, Tesla as largest winners in 2023; Stellantis largest loss in market share

GM remained the U.S. new vehicle market leader with deliveries reaching 2.6M units.

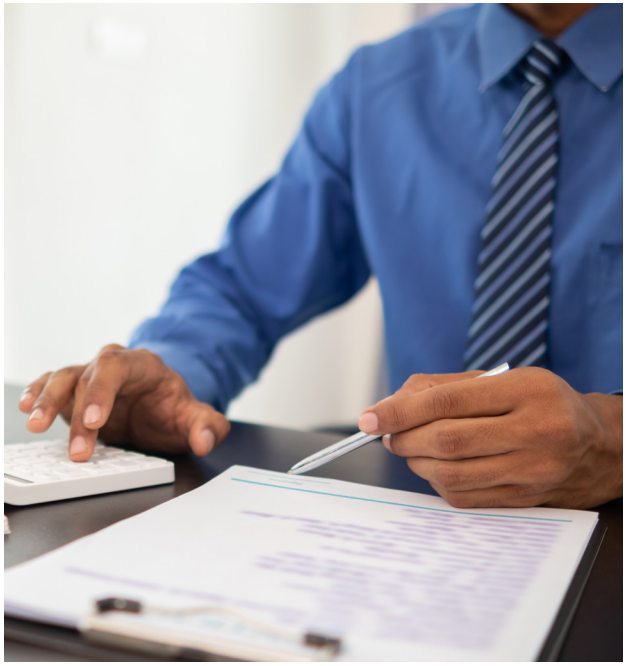
Hyundai Motor Group's Kia and Hyundai-Genesis units surpassed Stellantis in 2023 to become the No. 4 seller in the U.S.

Goodwill multiples decline industry-wide amid high interest rate

The **average per-brand Blue Sky multiples have decreased 10 – 15%** compared to the same period in 2022.

On average, banks are lending 50% of goodwill values on most dealership buy-sell deals, requiring more cash upfront for transactions. This is limiting the current buyer pool on every opportunity, leading to lower transaction prices.

High borrowing costs have reduced the purchasing power of would-be dealership buyers, leading to increased challenges and uncertainty in M&A activity. However, buyers are still willing to pay for the right opportunity.



OUTLOOK

The automotive industry is facing challenges with high vehicle prices and elevated interest rates. This trend is expected to persist into 2024, with small growth outlooks for the year.

Inflationary and interest rate pressures continue to affect both consumers and dealers through rising vehicle and financing costs along with higher fixed and compensation costs, respectively. Small and medium-sized M&A buyers are also facing rate-related pressures as transaction financing continues to pose acquisition challenges.

Deterioration of the dealership buy-sell market caused by the current economic environment has resulted in a downward pressure on Goodwill numbers and multiples. Heading into 2024, dealership buyers and sellers should remain agile and ready to adapt to the shifting market conditions.

50-100

Number of basis points at which some Canadian and U.S. Economists predict central banks to cut interest rates in 2024.

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DSMA TRADING AUTOMOTIVE **MULTIPLES**

CURRENT MULTIPLE RANGES BY BRAND

Many factors affect the actual Goodwill Multiple achieved when a dealership is sold. The depicted values represent an average based on current performance and market trends from across the United States and Canada.

The only way to know the Goodwill Multiple for your dealership is through a valuation conducted by a CPA along with market experts who truly understand the industry.

DSMA has conducted over 1,700 dealership valuations and is the leading market expert in automotive dealership valuations across North America.

DSMA valuations are trusted by banks, financial institutions, manufacturers, and dealers, just like yourself.

For more information on North American Goodwill Multiples, or to request a dealership valuation, please contact DSMA at **833.650.4188** and ask to speak with your local market advisor. All shared information will remain confidential.

Data presented by:

QUOTUS

QUOTUS is North America's premiere analytics platform, leveraging 1.5 million qualitative and quantitative data points allowing dealers, financial institutions, and OEMs to easily mine and analyze current comparable automotive data. It derives its data from thousands of business valuations.

QUOTUS

INPUT FINANCIALS. OUTPUT INTELLIGENCE.



Powerful Forecasting Tool



Eliminate The Risk Of Manual Manipulation Of Data



Allow Comparison Multi OEM



Easy And Fast



Fraction Of The Cost

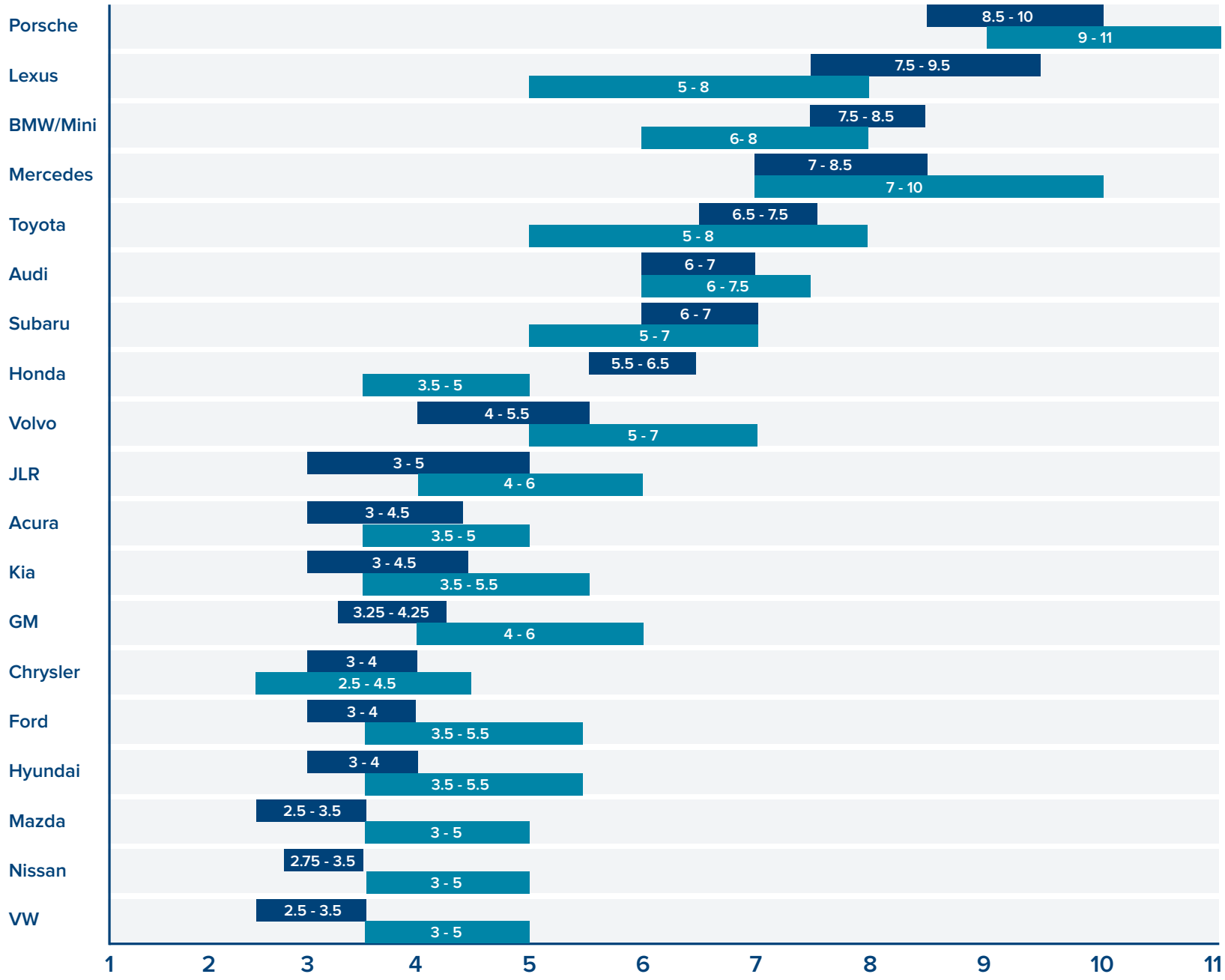


BOOK YOUR DEMO TODAY!

Goodwill Multiple Ranges

USA Multiple

CAN Multiple



Multiples shown are of Earnings Before Tax (EBT).
Coloured bars represent the current minimum and maximum goodwill ranges. Dark blue represents U.S. Multiples. Light blue represents Canadian Multiples.
All DSMA valuation and goodwill data is based on normalized financial data to ensure comparisons are valid from brand-to-brand.

HOW DEALER SALES IMPACT **MULTIPLES**



PROSPECTIVE OUTLOOK

Goodwill prices today reflect the industry's past performance with a lag of 6 months to 1 year.

2023 ends at a 16% average, down 5% from the 2022 peak, attributed to declining dealer earnings and goodwill multiples.

2024 is forecasted below average due to financing difficulties for dealership buyers and lower dealer profitability amid economic challenges.

Elevated interest rates pose a major challenge in current buy/sell transactions, making financing harder for both consumers and buyers. This has led to decreased goodwill values in 2023, with ongoing challenges expected.

Buyers are exploring alternative financing methods, such as Vendor Take-Backs (VTBs), non-bank lenders (e.g., private equity firms), and REITS.

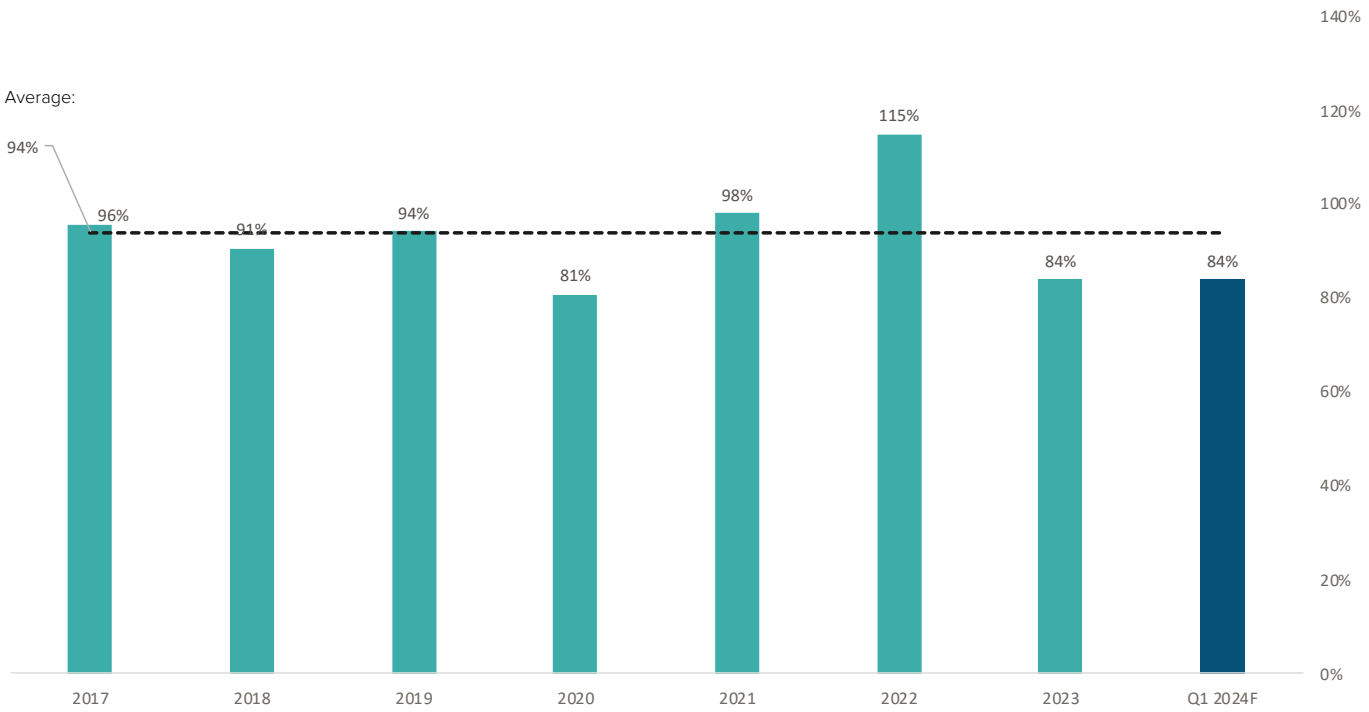


ETIENNE DEMEULES, CPA
Dir. of Finance/M&A-Partner
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"In the realm of Earnings Before Tax multiples, staying informed on comparable transactions is crucial. DSMA is dedicated to offering advanced comparables derived from robust data sources. In 2023, industry multiples declined amid challenges, and it will be intriguing to see how buy-sell transactions continue to evolve in 2024."

Mean sold goodwill values from all Canadian DSMA facilitated transactions from 2017 to 2023.
All DSMA valuation and goodwill data is based on normalized financial data to ensure comparisons are valid from brand-to-brand.

GOODWILL AS A PERCENTAGE OF **ASKING VALUE**



Conversion of sold goodwill values as a percentage of asking value for DSMA-facilitated transactions from 2017 to forecast Q1 2024.
All DSMA valuation and goodwill data is based on normalized financial data to ensure comparisons are valid from brand-to-brand.

PROSPECTIVE OUTLOOK

In recent periods, sold goodwill values for DSMA facilitated transactions have met, or exceeded, the seller's asking goodwill values.

However, current trends suggest a de-coupling of sold to asking goodwill values due to several factors:

Shift in dealership M&A market from a seller's market towards a buyer's market. Seller's expectations have not shifted at the pace the market, causing an increased ask-sell spread.

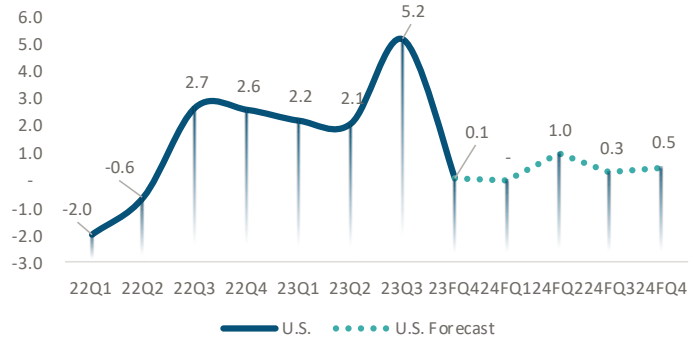
Sustained elevated interest rates are eroding buyer's purchasing power as borrowing becomes more expensive. As a result, banks are tightening lending as they look to mitigate their risk factors. In addition, higher rates have an additional knock-on effect for current dealers as borrowing costs increase for vehicle consumers, leading to potential lower sales figures, and thus, lower goodwill values in future periods.

Decreasing earnings trends: as dealers continue to track and report post-COVID earnings, many dealerships are not able to maintain the performance levels seen during the 2021 and 2022 peak for a variety of challenges.

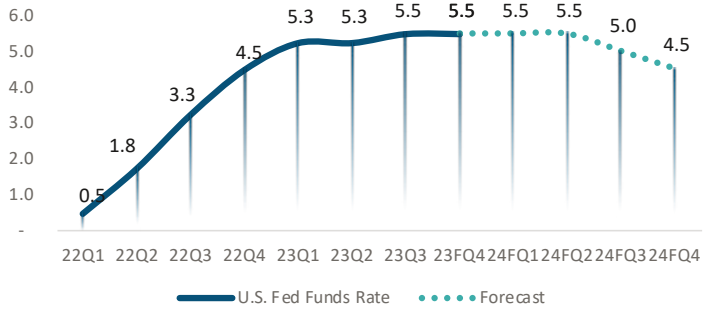
OEM strategy: Current uncertainty over direction of certain OEMs going forward, specifically on market-disrupting topics like EVs, product lines, and DTC sales models.

MACROECONOMIC **INDICATORS - U.S.**

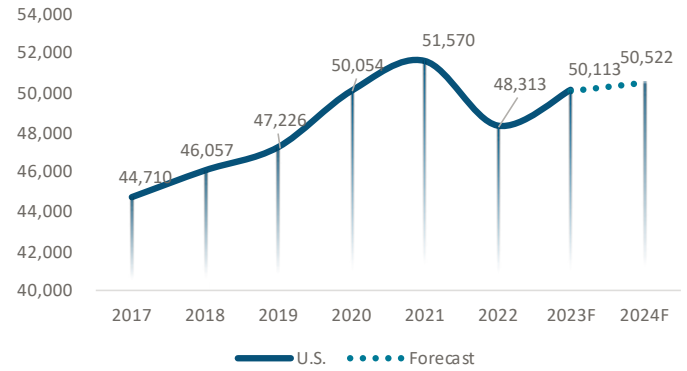
Quarter-Over-Quarter GDP % Change, Annualized



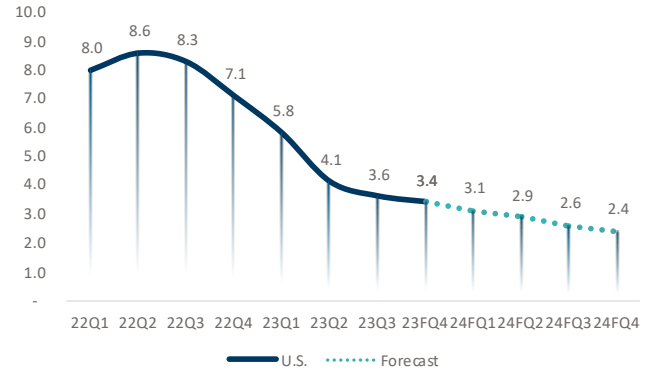
U.S. Fed Funds Rate (%, End of Period)



Total Per Capita Disposable Income ($)



Inflation, Year-Over-Year % Change



OVERVIEW

GDP growth slowdown ahead, but analysts predict no recession through the first part of 2024. Consumers remain resilient going into the next year. Inflation is expected to be declining throughout 2024.

The restarting of student loan repayments may result in a modest drag on consumer spending and the broader economy.

In mid-December, the U.S. Federal Reserve (Fed) held their final meeting of 2023 and decided to keep current interest rates and overall monetary policy unchanged. The Fed is likely done with rate hikes in this current tightening cycle and policymakers have penciled in multiple rate cuts in 2024.

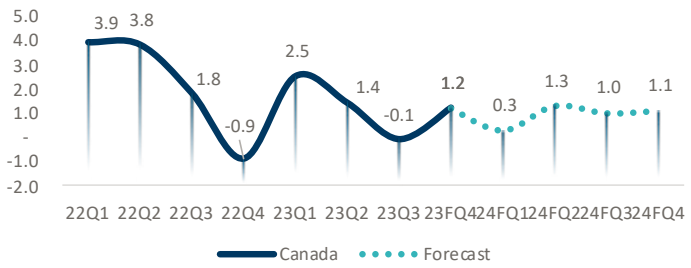
Sources: FCC Economics, Bloomberg, IBISWorld

DEALERS' PERSPECTIVE

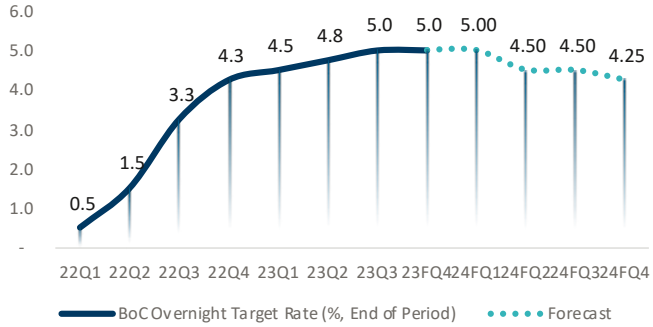
Overall, as the economy is forecasted to deliver weak growth ahead, automotive sales growth is expected to be constrained and weak in 2024. The forecast is for a fairly normal automotive market in 2024.

MACROECONOMIC **INDICATORS - CANADA**

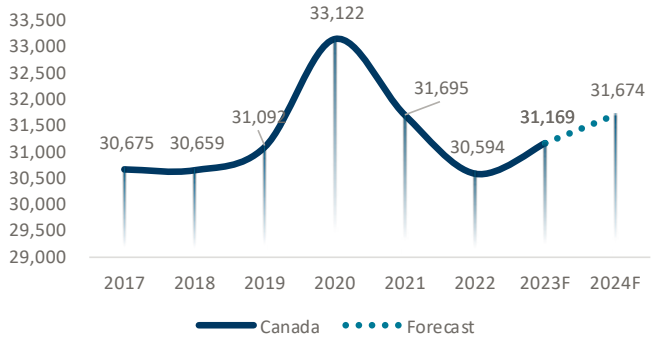
Quarter-Over-Quarter GDP % Change, Annualized



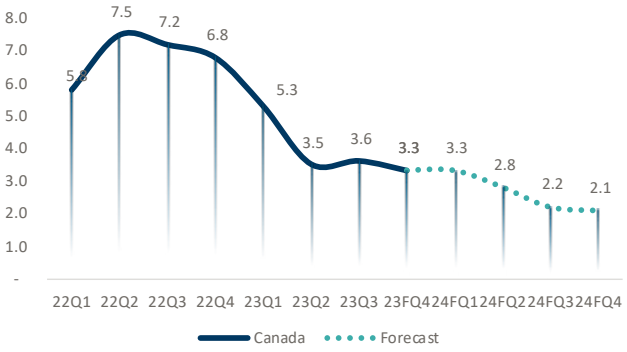
Bank of Canada Overnight Rate (%, End of Period)



Total Per Capita Disposable Income ($)



Inflation, Year-Over-Year % Change



OVERVIEW

Weak Canadian GDP forecasts for 2024 could continue to bring inflation down to a sustained level and temper expectations for consumers and businesses. This could prompt the Bank of Canda (BoC) to begin lowering the overnight interest rate in the first half of 2024.

Canadians have been tightening their belts on discretionary expenditures since BoC initiated interest rate hikes. After minimal growth in real consumer spending through the middle of 2023, a modest 0.6% pace is expected in in Q4 and this weak trend is likely to continue into the first part of 2024.

For the third time in a row, the BoC decided to hold the policy rate unchanged in December. Economists are forecasting that BoC could start cutting interest rates in the first half of 2024 depending on how inflation and other macroeconomic indicators are tracking through Q1 next year.

Sources: FCC Economics, Bloomberg, TD Economics, IBISWorld

DEALERS' PERSPECTIVE

Moving into 2024, the Canadian automotive industry faces several key challenges, including economic uncertainty, supply chain issues, and a lukewarm EV market. Pent-up consumer demand remains a positive sign for automakers and dealers, while consumers show favour for cars and smaller SUVs for their lower price points.

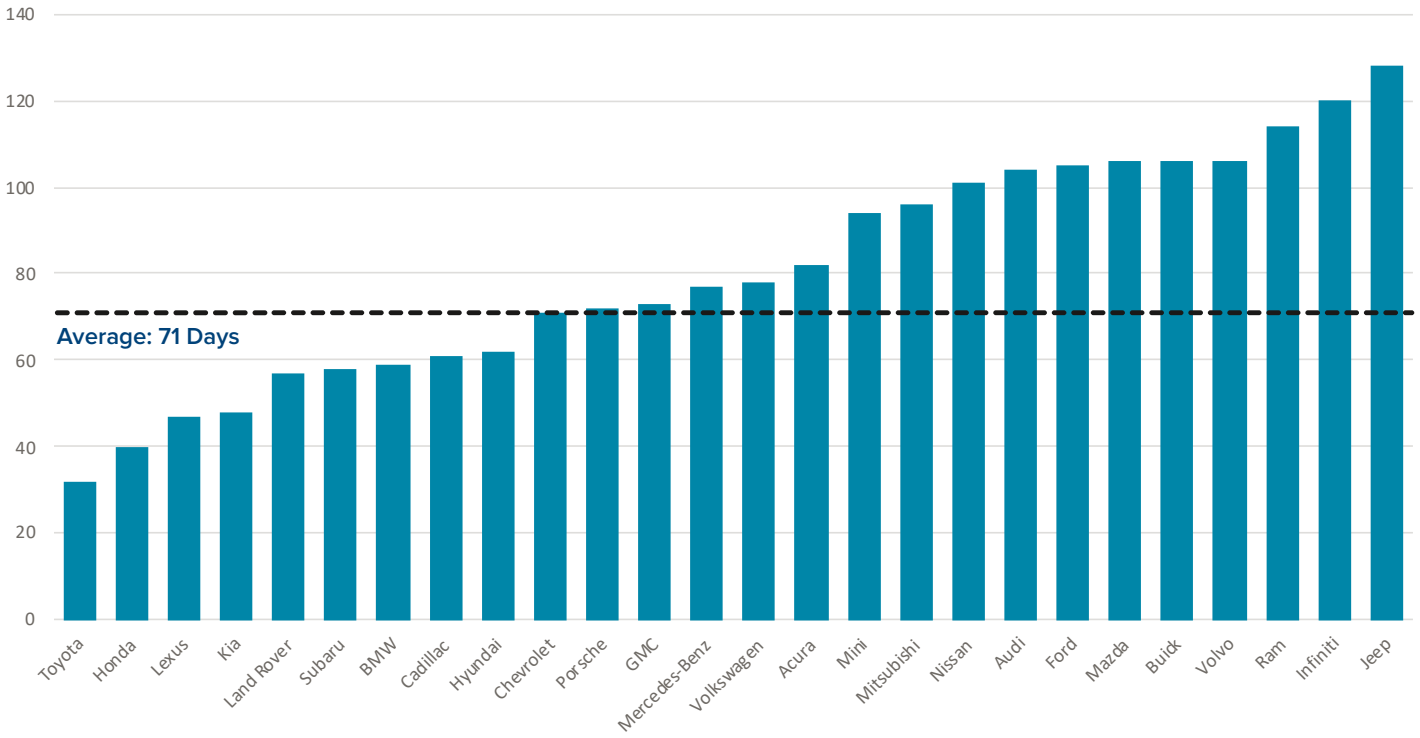
> Strong Q4 GDP growth for the U.S. may present a challenge to the Fed as inflation continues its downward trend. In Canada, a recession in 2024 is not out of the question amid unfavourable growth metrics. Analysts for both countries have begun to price in rate cuts in H2 2024.



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NEW VEHICLE INVENTORY DAYS ON HAND **BY BRAND**

Supply is normalizing to pre-pandemic levels, dealerships adapt to stabilize prices



DEALERS PROSPECTIVE

New-vehicle supply is rapidly normalizing and is already at a point that favors consumers. As levels continue to build post-pandemic, some automakers, such as Stellantis, announced that it was cutting one of three shifts at a Jeep plant in Detroit along with cuts to jobs and output at a Jeep plant in Toledo, Ohio, as the company attempts to reign in excess inventory.

Faster-than-expected inventory restocking potentially has collided with real-world consumer demand. Driving into 2024, while vehicle prices are beginning to stabilize as inventory levels recover, dealerships must remain vigilant and prepared to adapt to potential operational changes.



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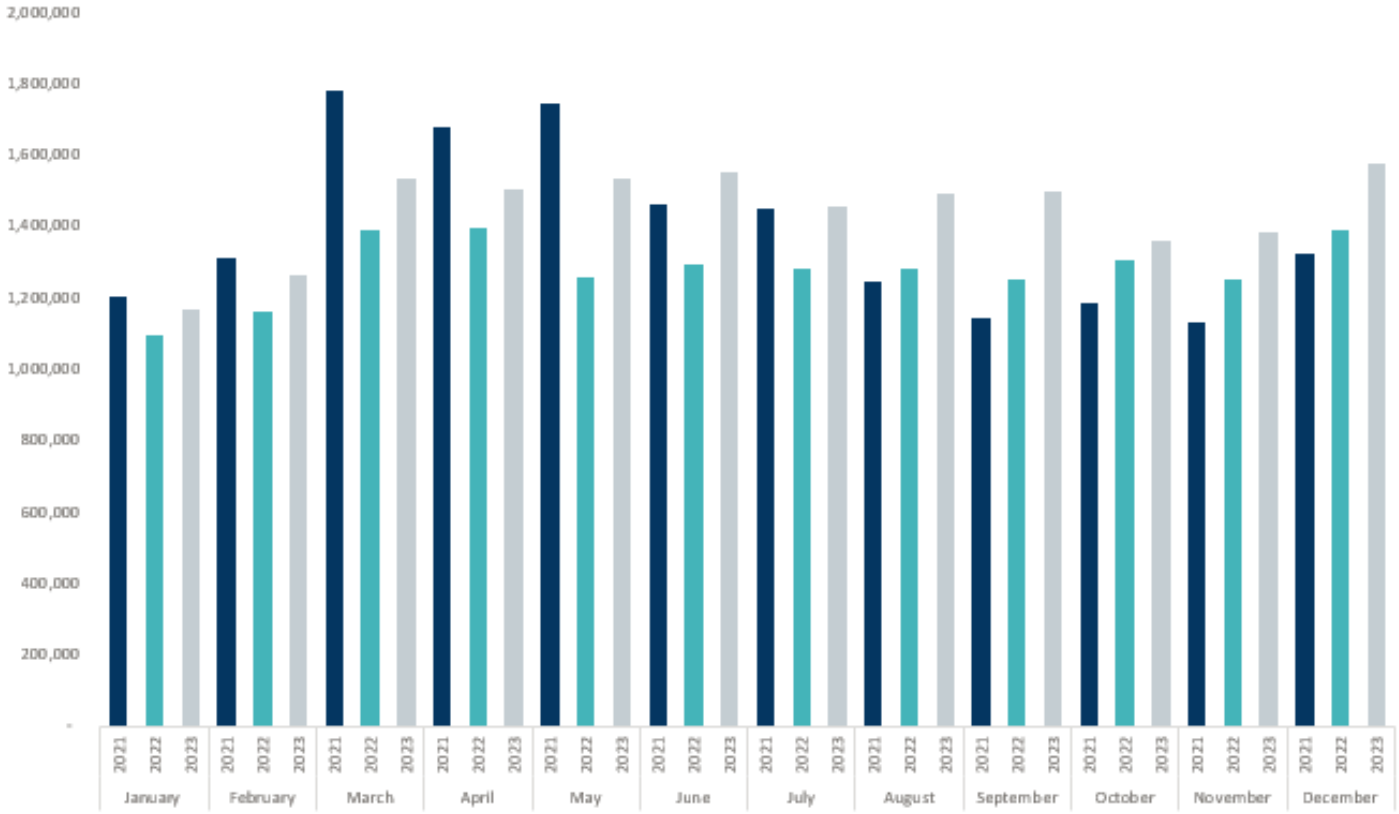
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> The automotive industry has experienced an escalation of new-vehicle inventory, reaching its highest level since spring 2021 and creating a 71 days' supply for the first time in 2 years. Elevated inventory levels, combined with a slowdown in sales, has prompted some automakers to reduce production and/or increase incentives.

Sources: Cox Automotive, S&P Global Mobility

NORTH AMERICAN MONTHLY VEHICLE **SALES VOLUME**

Growth slows as financing rates continue to climb



DEALERS' PERSPECTIVE

Auto makers are optimistic about 2024 sales performance due to building inventory levels and increasing incentives, though North America economic uncertainties weigh down increased growth expectations.

Topic to watch: More customers in North America are failing to meet their car loan payments as a result of soaring vehicle prices, higher borrowing costs and the surging cost of living. In Canada, average new and used vehicle payments have increased anywhere from 23% to 39% since 2019. Auto-loan minimum payments were up by 5% YoY, reaching CAD$640. As such, **auto loan delinquency rates are now above pre-pandemic levels** and are estimated to increase over the next year.

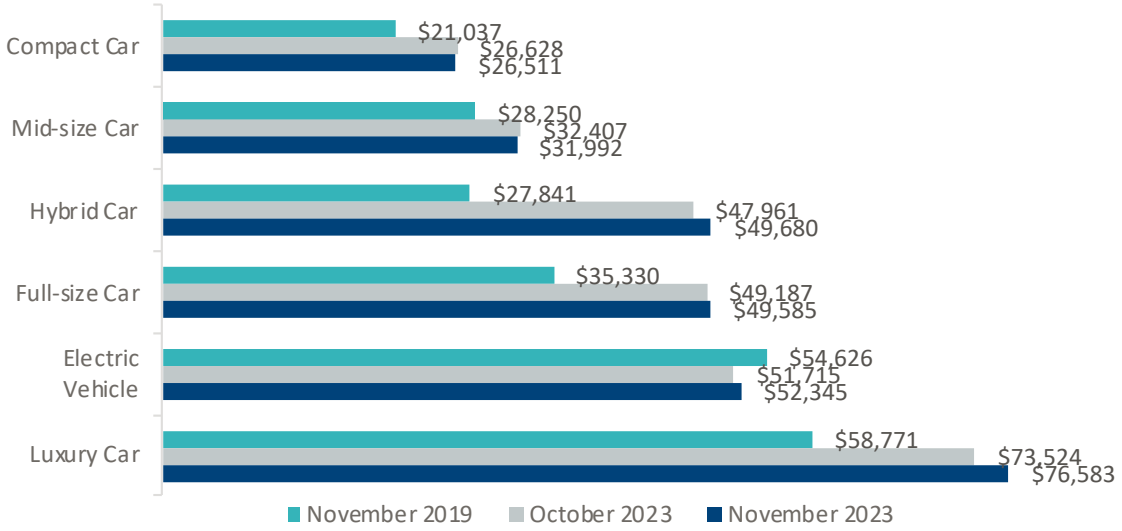


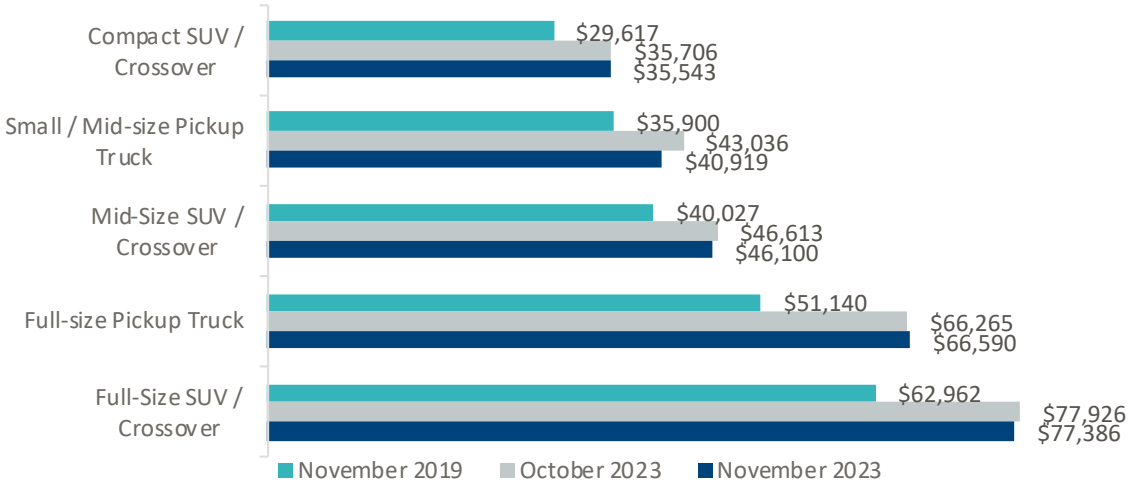
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"As supply chain issues are being resolved, the second portion of 2023 has shown that North American market volumes are slowly returning to pre-pandemic levels. It will be interesting to see how the added inventory levels will affect sales volumes and profitability through 2024."

Sources: DesRosiers Automotive, MarkLines, REUTERS, Scotiabank Economics

NEW VEHICLE AVERAGE **TRANSACTION PRICES**





Sources: AutoTrader.ca, Cox Automotive

$48,247

Average transaction prices (ATP) U.S. new-vehicle prices came in November, down 1.5% YOY.

This marks a shift towards buyers as incentives climb and profit margins are squeezed.

Overall price decline coming from luxury vehicle segment, with non-luxury vehicle prices remaining mostly steady. **Luxury vehicle surpassed 20% market share in the U.S., a record high.**

In November, **EV incentives reached their highest point of 2023 at 8.9% of ATP.**

Overall auto loan rates moved higher in 2023, but towards the end of 2023 from peak levels. Average new rates sitting at 9.55%, with used at 14.14%.

* December 2023 and Canadian data are not available during the preparation period of this report.



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"The combined effect of inflation and the rise in interest rates is having a real impact on new vehicle price and monthly payments for consumers across all segments. Compared to pre-pandemic car payments, it costs an additional 25%-40% to finance or lease the same vehicle in 2024!"

CONSUMER PAYMENT **ANALYSIS**

2019



MODEL: FULL SIZE CAR
MSRP: $35,330
INTEREST RATE: 4.55%
FINANCING TERM (MONTHS): 60
MONTHLY PMT: $602.55



MODEL: COMPACT CAR
MSRP: $21,037
INTEREST RATE: 4.55%
FINANCING TERM (MONTHS): 60
MONTHLY PMT: $358.79



MODEL: LUXURY FULL-SIZE SUV
MSRP: $86,890
INTEREST RATE: 4.55%
FINANCING TERM (MONTHS): 60
MONTHLY PMT: $1481.91

2023



MODEL: FULL SIZE CAR
MSRP: $49,585
INTEREST RATE: 8.50%
FINANCING TERM (MONTHS): 60
MONTHLY PMT: $862.62
MONTHLY INCREASE: $260.07
YEARLY INCREASE: $3,120.81
FIN/TERM INCREASE: $15,604.06



MODEL: COMPACT CAR
MSRP: $26,511
INTEREST RATE: 8.50%
FINANCING TERM (MONTHS): 60
MONTHLY PMT: $461.21
MONTHLY INCREASE: $102.42
YEARLY INCREASE: $1,229.05
FIN/TERM INCREASE: $6,145.25



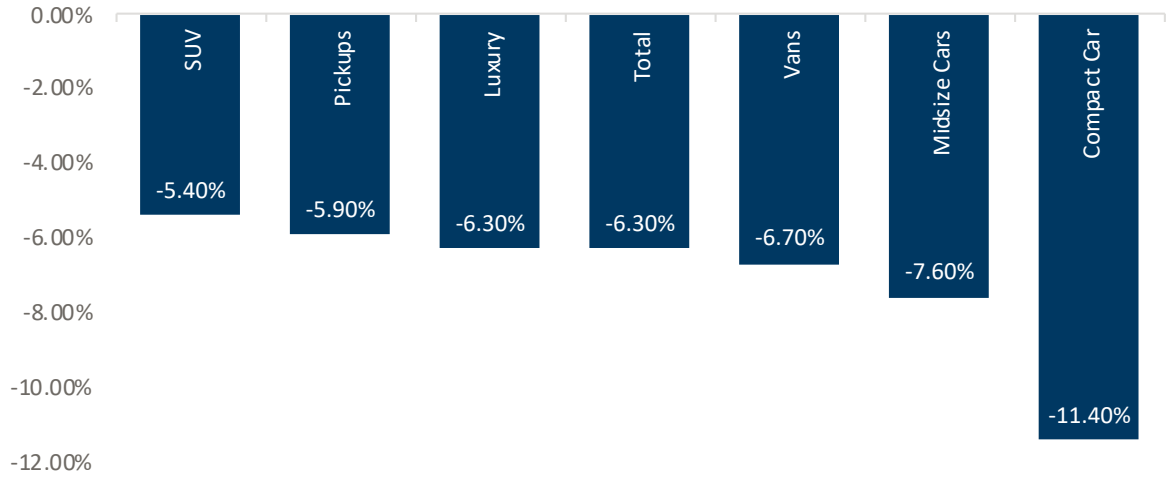
MODEL: LUXURY FULL-SIZE SUV
MSRP: $107,163
INTEREST RATE: 8.50%
FINANCING TERM (MONTHS): 60
MONTHLY PMT: $1864.30
MONTHLY INCREASE: $382.39
YEARLY INCREASE: $4,588.62
FIN/TERM INCREASE: $22,943.11

* Analysis was done in U.S. dollars
Source: Cox Automotive

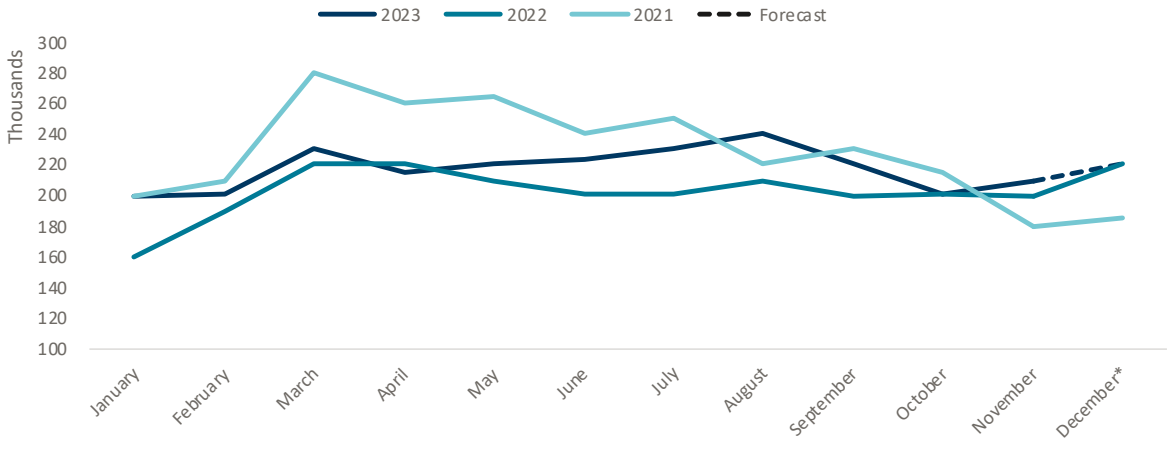
USED VEHICLE MARKET **UPDATE**

Volatility in used vehicle market continues as business trends move towards normal

YoY Price Changes for Selective Market Classes



CPO Sales by Month, 2023



Sources: Cox Automotive

PROSPECTIVE OUTLOOK

Total U.S. supply of unsold, used vehicles on dealer lots, both franchised and independents, stood at 2.36 million units at the beginning of December 2023, a 2.4% increase compared to early November.

Used vehicle days' supply stood at 52 days at the beginning of December, compared to 56 days at the same time one year ago, suggesting a tightening of inventory levels across the industry.

Wholesale values increased marginally early in December, reversing the trend in recent months.

All major market segments saw seasonally-adjusted prices that remained lower YoY in the first half of December.

Certified pre-owned (CPO) sales continue to **outperform** the overall used-vehicle market.

Asian brand CPO sales are up close to 12% YTD, while European brands are up just shy of 6%. Meanwhile, the Detroit Three continue to lag, with only a 2% increase.

* December 2023 data is forecasted. Canadian data is not available during the preparation period of this report.

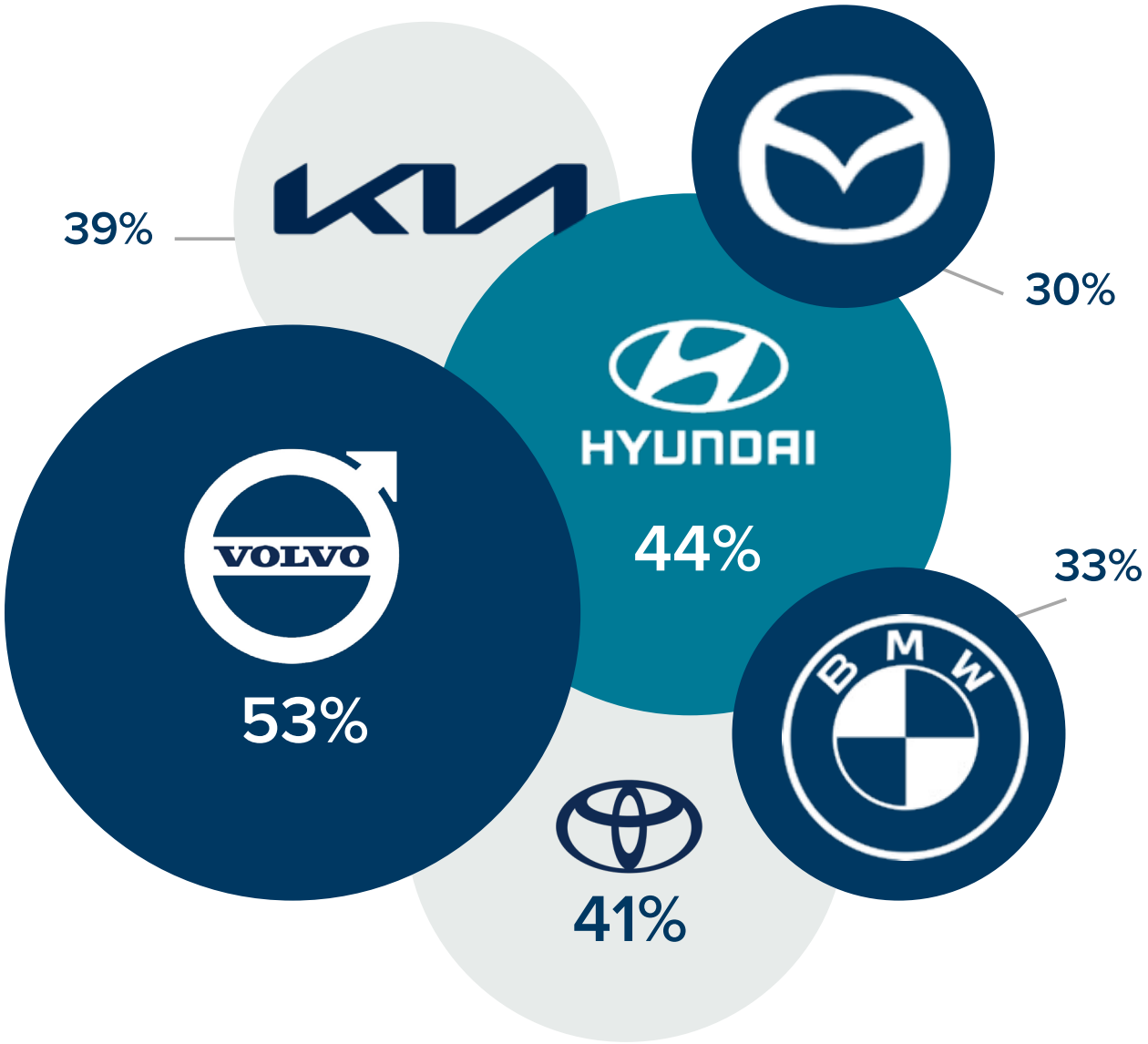


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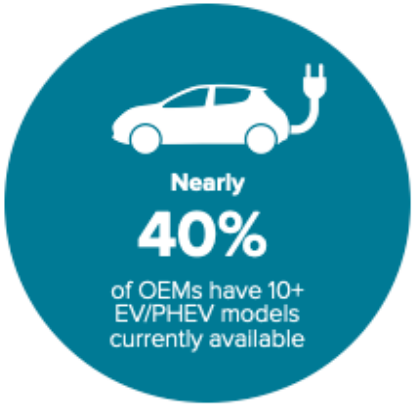
Moving into 2024, the availability of used vehicles will remain a significant factor, particularly with lease maturities expected to play a crucial role in the latter half of the year. These factors may contribute to an increase in market volatility, even as we leave the pandemic in the rear-view mirror.

EV/PHEV LANDSCAPE **OVERVIEW**

Top OEM Leaders in Available EV / PHEV Models (% of Total Available Models)







EV INNOVATION & OPPORTUNITY IN 2024

While all OEMs are moving in the direction of producing EVs and/or PHEVs, **some manufacturers including Volvo, Hyundai, Toyota, Kia, and BMW have made further progress as of January 2024,** with others to follow with new EV/PHEV models later this year.

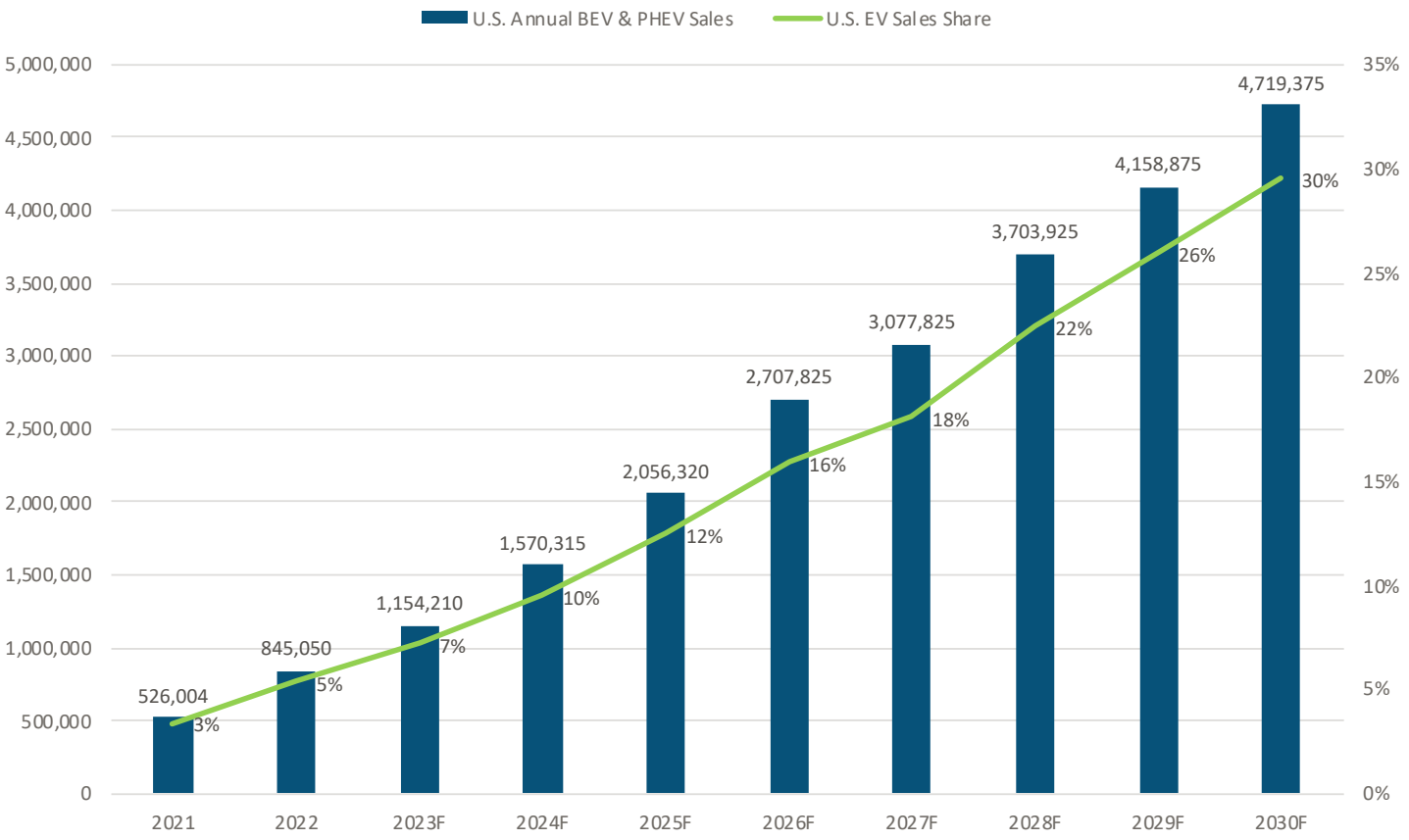
For fully electric vehicles, **Volvo remains the furthest ahead** in production (24% of models), while BMW and Mercedes are close behind (23% and 21%, respectively).

With EV/PHEV vehicles making up **close to half of the available models from 20% of OEMs,** there is opportunity for other leaders to invest in EVs/PHEVs as this market continues to grow.

Sources: Volvo Car Canada; Hyundai Canada; Toyota Canada; Kia Canada; BMW Canada; Mazda Canada; General Motors Canada; Ford Canada; Honda Canada; Stellantis; Mercedes-Benz Canada.

U.S. EV MARKET UPDATE

U.S. EV (BEV & PHEV) Sales & Sales Share Forecast: 2021 - 2030



3X

Increase in U.S. EV sales share by 2030

DEALERS PERSPECTIVE

U.S. light-duty EV sales forecasted to reach approximately 30% of new vehicle sales by 2030 **3x increase in sales share among new vehicles.** Sales units expected to top 4.7m from estimated 1.15m in 2023.

Q4 U.S. EV sales accounted for 8.1% of all new vehicle sales, compared to 14.9% across Europe, and 26.6% in China.

Adoption rates to improve with time as more companies release more electric models and consumers become more comfortable with the technology.



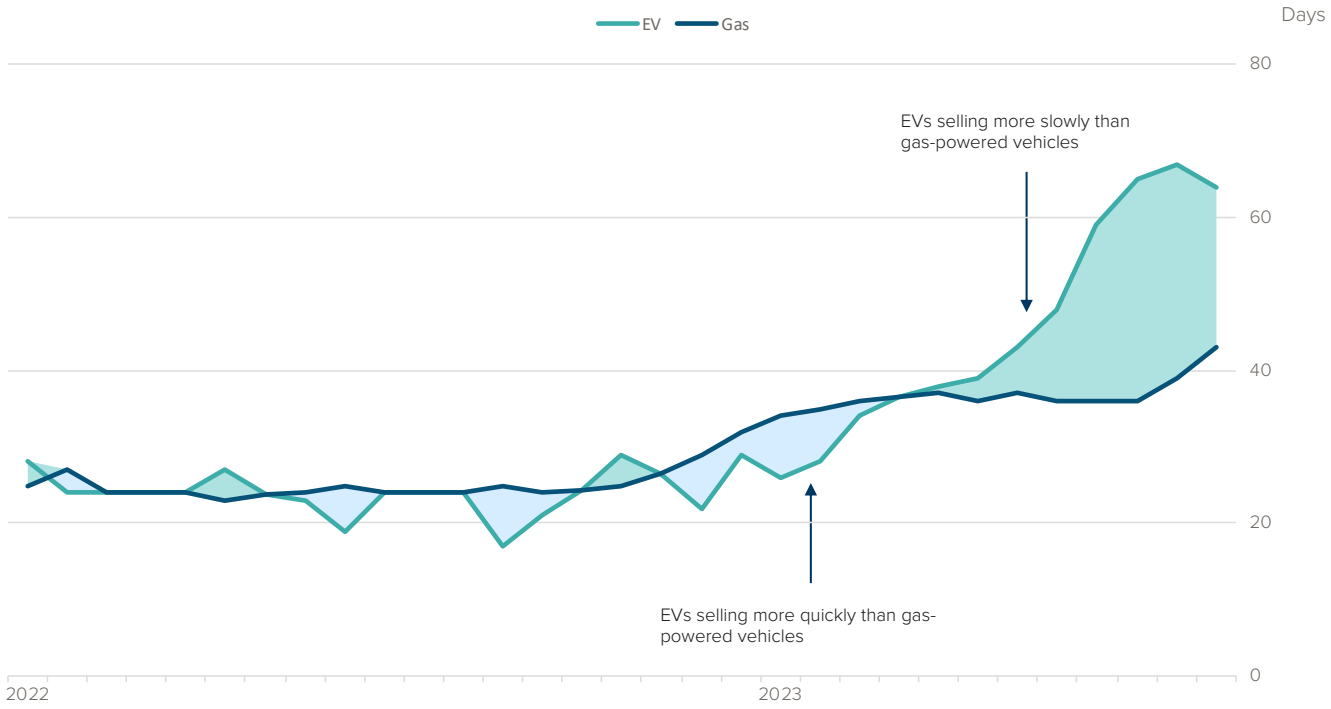
ANDY CHURCH
VP, Southeast
andy.church@dsma.com

"The discrepancy in the U.S. market can be attributed to a lack of affordable models and slower legislative push from policymakers according to analysts and auto executives."

Sources: GoodCarBadCar.net, InsideEVs, HIS Markit / Auto Manufacturers Alliance, Advanced Technology Sales Dashboard | Research & Original Chart: Loren McDonald / EVAdoption, GlobalData via The Wall Street Journal

EV MARKET **UPDATE**

Average number of days it takes a dealer to sell vehicles in the U.S., by type



KEY DEVELOPMENTS

Electric cars and trucks are accumulating on dealership lots, prompting auto companies to reconsider their investment plans, as **it takes approximately three weeks longer to sell an EV compared to a gasoline vehicle.**

Demand for electric models is not evenly distributed across the U.S., with a concentration in a few states, notably **California, where nearly a quarter of all vehicles sold between July and September were EV's.** In contrast, states like Michigan have a much lower adoption rate.

The challenge for automakers includes uneven demand, with urban areas being the primary market for electric vehicles due to better accessibility to public charging infrastructure. **Many American buyers are still hesitant to switch to electric models,** citing concerns about high prices and the ease of recharging.

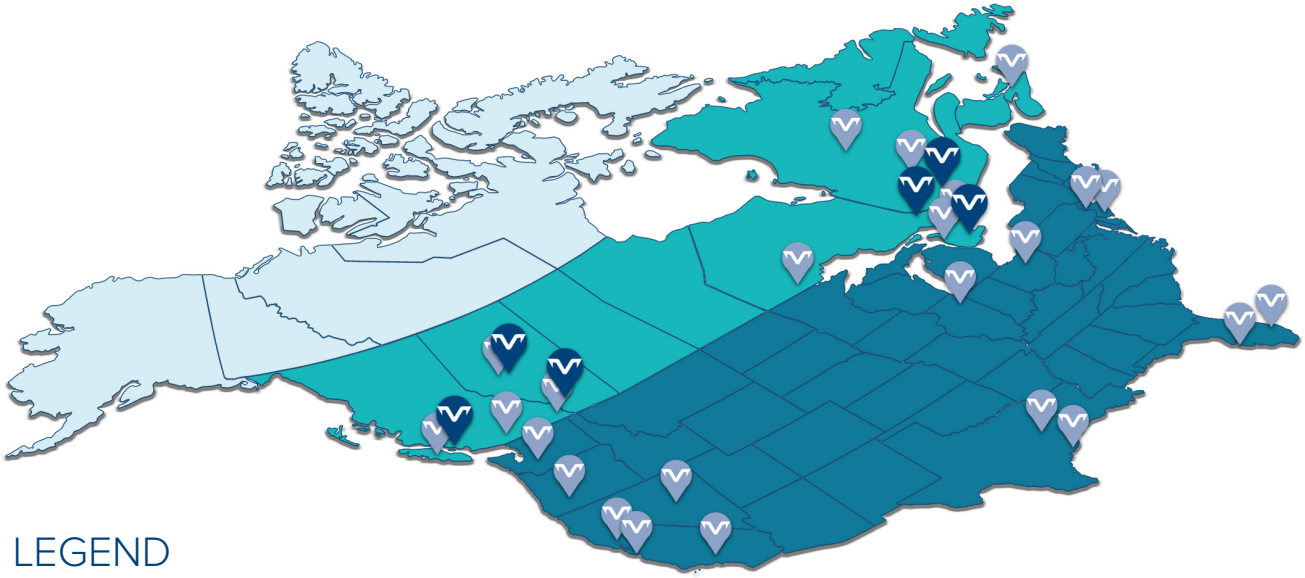
3 WEEKS

Additional time it takes to sell an EV compared to a gasoline vehicle.

Note: Excludes direct-to-consumer brands such as Tesla
Source: Edmunds via The Wall Street Journal

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VICINITY MOTOR CORPORATION **UPDATE**



LEGEND

Current Locations

Available Locations



RICK KINGDON
Director, Network Development VMC
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"I'm very excited to work with VMC to appoint 12 distributors in Canada by the end of 2024. This is a great opportunity to become a leader in the class 3/5 truck market, especially as the shift to electrification continues across North America."

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

VICINITY

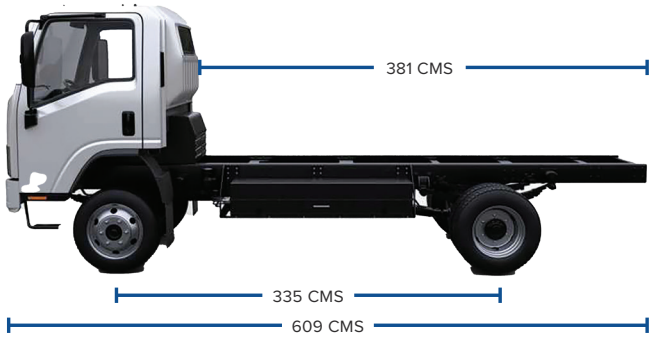
Vicinity Motor Corp. (VMC), a North American commercial electric vehicle supplier, has signed a dealer network development services agreement with Dealer Solutions Mergers and Acquisitions (DSMA) to enhance North American market penetration for its Class 3 VMC 1200 all-electric trucks.

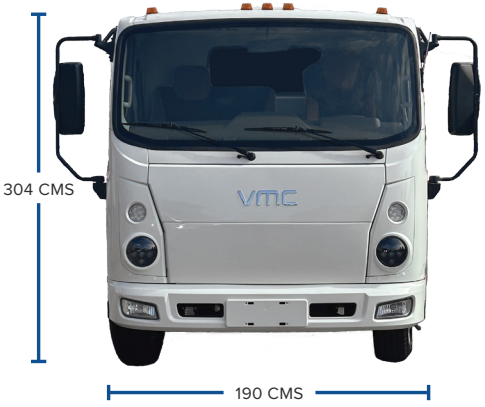
DSMA will help Vicinity secure high-value dealer partnerships that maximize its ability to deliver VMC 1200 trucks to market while ensuring customer satisfaction. VMC franchises have started to become available to buyers.

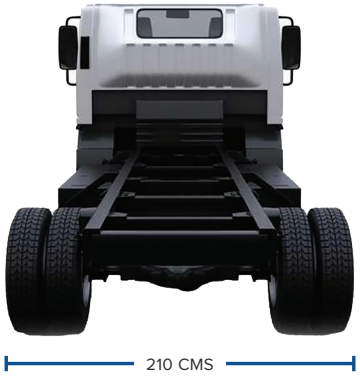
- Production now underway at the company's U.S. manufacturing campus in Ferndale, Washington.
- Entered strategic partnerships with Lafarge Canada, Canada's largest supplier of sustainable building materials, to electrify their truck fleet.
- DSMA has facilitated Letter of Intents (LOIs) with 5 dealers for territories in Canada; Quebec (2), Ontario (2) and Alberta (1), in addition to the first dealer currently operating in Vancouver. 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.

VICINITY MOTOR CORPORATION **UPDATE**

VMC 1200 Dimensions







MULTIPLE LOADING OPTIONS



UTILITY **FLAT BED** **BOX** **DUMP**

VMC Specifications

General	
Type	Fully Electric
Model Year	2023
Style	Cabover
Class	3
Drive	4 x 2
Range	Up to 241 km (150 miles)
Max Speed	100 km/h (62 m/h)
Gradeability	26%

Drivetrain		
Motor	Permanent Magnet Synchronous Motor	
Motor – cooling	Liquid	
Power – rated	55 kW	74 HP
Power – peak	120 kW	160 HP
Torque – rated	200 Nm	147 ft-lbs
Torque - peak	380 Nm	280 ft-lbs
Transmission	2-Speed Automatic	
Rear axle ratio	6.167	

Weights		
GVWR	5,000 kg	11,000 lbs
Curb Weight*	2,495 kg	5,500 lbs
GAWR - Front	2,000 kg	4,400 lbs
GAWR – Rear	3,500 kg	7,700 lbs

Suspension	
Front	Solid axle - Leaf spring
Rear	Solid axle - Leaf spring

*Estimated, does not include upfit body weight (flat bed, drybox, dump, etc). Curb weight increased by weight of body when equipped.

High Voltage System	
Voltage	525 V
Battery Capacity, Total	103 kWh
Battery Cooling	Air
Charging	CCS1 combo – Level 2 (240V) / Level 3

Low Voltage System	
Voltage	12 V
DC – DC Converter	120 amps

Brakes	
Type	Hydraulic
Front	Disk
Rear	Drum

Wheels & Tires	
Tire Size	225/75R16 LT Steel Belted Radial
Wheel size	6" x 16"
Wheel type	Painted steel

Interior	
Seats	Cloth
Seating	3
Driver's Seat	Bucket
Passenger Seats	Bench
Flooring	Vinyl

Convenience	
Air Conditioning	Power Windows
Power Door Locks	Remote Entry



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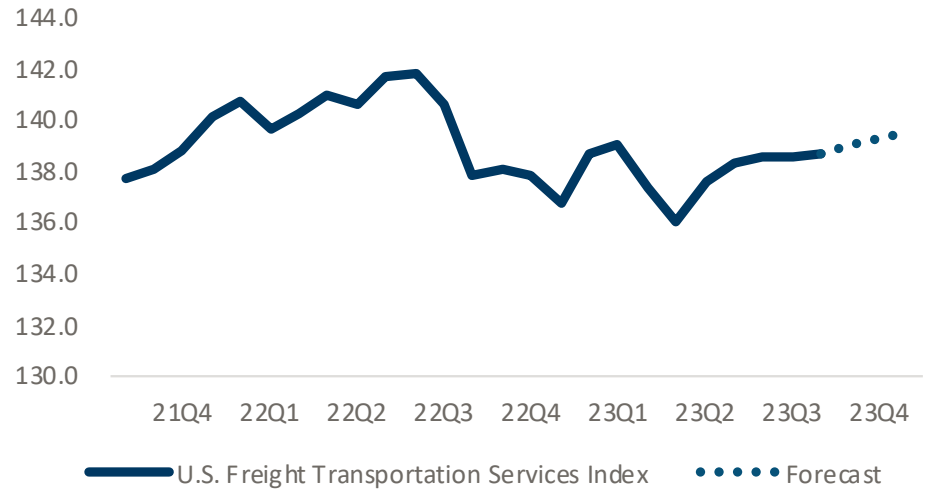
"VMC's electric trucks are not just vehicles; they represent a transformative force in the trucking sector, and our U.S. growth plans in 2024 reflect our determination to support the revolutionization of the transportation industry."


AUTOMOTIVE
PEOPLE KNOW...
...WE ELECTRIFY
THIS INDUSTRY.

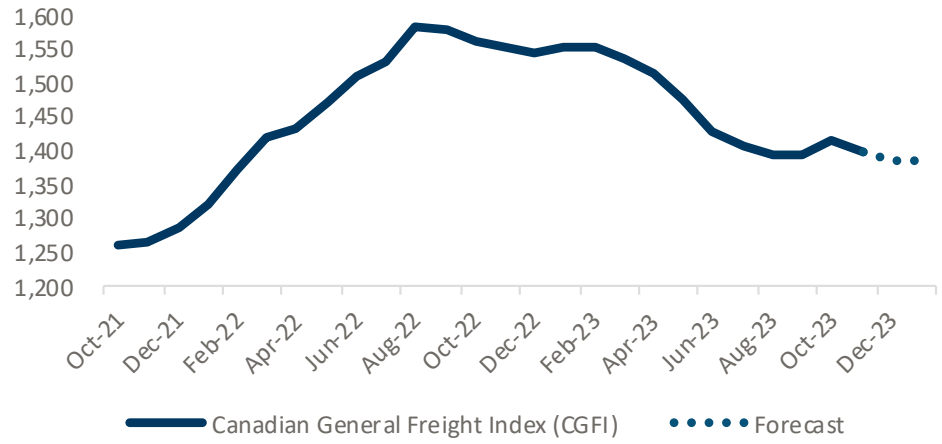

DS
MA
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REAL DEAL.
BUY AND
SELL WITH
CONFIDENCE

TRUCKING AND TRANSPORTATION MARKET **UPDATE**

U.S. Freight Transportation Services Index (TSIFRGHT)



Canadian General Freight Index (CGFI)



Supply / Demand: truckload demand slightly fell towards end of 2023 driven by weakened consumer spending, wholesale purchases, and manufacturing. Demand remained 1.5% lower than its earlier 2023 level. Despite a modest recovery resulting from a pickup in consumer spending and imports in Q3 2023, the larger two sectors, manufacturing and wholesale, have seen severe declines over the last 12 months.



LEV KOWALSKY
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> In 2024, truck dealers will continue to confront challenges like production delays, used-truck depreciation, and parts shortages. Despite these hurdles, strategic alignment with the demand for pre-emissions units can cater to fleet operators, and ongoing consolidation offers growth opportunities in the resilient truck market.



Sources: BMO Economics, Uber Freight, Canadian General Freight Index, FRED



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OEM **OUTLOOK**

OEM Sector Outlook Heading into 2024

Theme 1: Industry still vulnerable to supply disruptions as manufacturers look to stabilize their supply chains

Ford CEO Jim Farley called 2023 "a year of challenges, from a labor strike to supply issues" but is confident as he remarks they are "spring-loaded for 2024" with new versions of the automaker's most popular models launching in 2023.

In their Q3 Earnings Call, Farley also touched on plans to leverage their buying power in strategic sourcing of vehicle parts from suppliers and their plans to reduce combination complexity for their product line. He admits the **automaker faced "inconsistent application within our manufacturing system**" in the past that led to recalls and other supply challenges. "**We are now starting to strategically source our EV components, which we now can apply to our ICE vehicles".**

Meanwhile, Honda Motor Corp. Director, Executive Vice President and Representative Executive Officer Shinji Aoyama addressed the tight production capacity in North America during the company's FY2024 Q2 earnings call. Aoyama signaled that the company **"[has] already sent out a message that if the demand for ICE increased, our factories would not be able to meet the demand"** as **"total annual production capacity in North America at present is 1.65 million units, and the annual forecast of 1.62 million units is very close to the full capacity, so we cannot increase production"**. Part of the production challenge comes as Honda begins transitioning some plant production lines to EVs from ICE vehicles.

It will be important for automakers to continue remaining agile in their supply chains and planned product offerings, especially as they look to support multiple chassis types for the next several years with EVs, Hybrids, and ICE vehicles.

Theme 2: Increased inventory stockpiles could lead to increasing incentives; drive consumer demand

According to a report from J.D. Power and Global Data, U.S. new-car and light-truck stockpiles totaled 1.7M units at the end of December, a 7.6% increase over November, and a 55% increase over the previous December. However, inventory stockpiles remained 40% lower than prior to the COVID-19 pandemic.

Average new-vehicle discounts expected to jump to $2,458, up $145 from November, and 91% from December 2022 said J.D. Power and Global Data. Incentives exceeded $1,000 at every major auto manufacturer in November; with incentives topping $2,400 for the Detroit 3.

Breaking it down: average incentive per new light truck in December expected to total $2,645, up from $1,346 a year earlier, while the average discount on new cars expected to tally $1,880, up $634 from December 2022.

Supply increases will prompt manufacturers to keep competitive with incentives and provide opportunities for lower prices for consumers, ultimately driving unit demand.

Theme 3: Analyst outlook remains optimistic

Analysts predict sales to rise from 15.9M to 16.1M through 2024, with continued affordability concerns and higher borrowing costs offsetting potential for higher growth and a return to the pre-COVID-19 period which saw sales figures consistently topping 17M units.

Breaking it down: Average U.S. new-vehicle retail transaction price was on track to reach just over $46K, down approximately $1,275 from December 2022, when it hit a record $47,329.

Average interest rate on a new-vehicle loan in the U.S. expected to increase 0.46 percentage points from December 2022 to 6.9 percent in December 2023.

"The competition is going to be arguably very heated in 2024. Everybody is going to have inventory. Everybody's going to be back marketing and advertising, sales promoting, merchandising, putting incentives in the marketplace. It's going to be monthly hand-to-hand combat versus our key competitors." - Randy Parker, CEO of Hyundai Motor America



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VP, Canada
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> Looking ahead, market representation for prospective franchise purchasers in financial, physical, and human resources along with customer satisfaction achievements will be under closer scrutiny by the OEMs. DSMA is ready to help navigate these challenges, with this year having the best balance of buyers and sellers.

Sources: Automotive News, Yahoo Finance, J.D. Power and Global Data

DSMA **MAJOR NEWS**

DSMA Expands Global Presence with Strategic Partnership with UHY Hacker Young.

DSMA is pleased to announce its expansion into the European market through a strategic partnership with UHY Hacker Young, the leading M&A player in the United Kingdom specializing in dealership transactions.

The establishment of this partnership emerged from a recognized necessity for a connection across the Atlantic, prompted by a notable track record of cross-Atlantic acquisitions involving dealerships in the UK. The decision to form this collaboration was a result of thorough research and analysis, aiming to address the demand for a bridge connecting the North American and European automotive markets and beyond.

Farid Ahmad, Founder and CEO of DSMA, expressed enthusiasm about the partnership, stating, “We are very excited about this partnership as it will allow both DSMA and UHY clients greater access to international opportunities, opening up both the North American and European Markets.”

David Kendrick, CEO of UHY Hacker Young, said “The international marketplace has been hugely active over the past decade with many global automotive groups entering the UK market, as well as European and Middle Eastern investors considering opportunities in the US and Canada alike. This strategic partnership opens huge opportunity to further support this growing area of the market between UHY and DSMA.”

Key Highlights of the Partnership:
- **Cross-Border Opportunities**
- **International Reach**
- **Global Benefits**

As part of this collaboration, DSMA encourages buyers to explore opportunities in the UK market, while North American dealership opportunities will be available for international buyers. The partnership sets the stage for a seamless exchange of knowledge, resources, and opportunities between two leading M&A firms.



Farid Ahmad, Founder & CEO of DSMA, is recognized as a 2023 Automotive News Canada Notable Champion of Diversity, demonstrating a commitment to advancing diversity, equity, and inclusion in the automotive industry.

Under Farid’s leadership, DSMA actively promotes diversity within its teams, supports education through an annual scholarship, engages in charitable endeavors, and challenges industry norms with a diverse workforce, contributing to a more inclusive future.

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

DSMA Ranks Top Growing Company for Third Consecutive Year as per The Globe and Mail.

“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.” – Farid Ahmad, Founder & CEO, DSMA



DSMA’s Mission Extends Beyond Borders in Partnership with Hope of Life

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.

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. For more information on HOL International, visit www.hopeoflifeintl.org.

PUBLIC M&A MARKET **SNAPSHOT**

Key U.S. Transactions

Asbury Automotive completed a USD $1.2B acquisition of Koons Group in December 2023. The Koons Group is one of the largest privately-owned dealership groups in the U.S., including 20 dealerships and 6 collision centres in the mid-Atlantic. The transaction price included $740M for goodwill, $420M for real estate, and $70M for vehicles, parts and fixed assets. The deal is the largest transaction tracked by Automotive News in 2023 based on the number of dealerships acquired.

Group 1 Automotive in November 2023, acquired a Subaru store in New Hampshire for USD $35.1 million, concluding the stalled final dealership acquisition of its purchase of Prime Automotive Group in 2021.

Lithia, in October 2023, signed a revised agreement for a strategic partnership with Pinewood Technologies and to acquire Pendragon's UK motor division and vehicle management division. Lithia has increased the cash consideration by 42%, to £397 million.

Penske signed an agreement in December 2023 to acquire Rybrook Group, which consists of 15 dealerships in the UK, representing estimated annualized revenues of USD $1B. These dealerships comprise 4 BMW , 4 MINI, 4 Volvo, 2 Land Rover dealerships and a Porsche dealership.

Key Canadian Transactions

AutoCanada sold a minority stake in its new online F&I business to insurer iA Financial Group, as the dealership group prepares to ramp up the initiative with online seller Kijiji.ca. iA Financial will pay CAD $25 million for a 10% interest in the unit, which will sell financing, insurance and extended warranty products to buyers of for-sale-by-owner vehicles listed on Kijiji's online marketplace.

CanadaOne Auto, in November 2023, was scheduled to announce the purchase of 12 dealerships in the next few weeks. The CEO of the group expects that by the first quarter of 2024 the company will have 42 dealerships.

Cars.com ("Cars Commerce"), a retail media tech company and network snatched up Canadian dealership technology and services company, D2C Media Inc., for USD $76M in November 2023. D2C Media will give Cars Commerce an expanded presence in Canada, where D2C serves more than 1,000 dealership customers.

KEY TAKEAWAYS

M&A deal volume has been overall modest in Q4 2023.

"Financing has become more difficult and expensive, with processes taking longer amid increased uncertainty, more challenging business cases, and the need for a greater level of due diligence. To ensure a smooth deal, sellers should anticipate a greater level of scrutiny from buyers and their funding sources, and they will need to be "deal ready".

Sources: Yahoo Finance, Automotive News

WHY CONSIDER A **VALUATION?**

1. BUYING OR SELLING A BUSINESS:

One of the most common reasons to perform a business valuation. Both buyers and sellers want to have an accurate understanding of the assets in question, which can help with negotiations and ensure that a fair price is being paid.

2. ESTATE PLANNING:

Knowing the true value of your business can help ensure that the proper amount of assets are distributed to heirs, and can help minimize potential tax liabilities.

3. BENCHMARK YOUR GREATEST ASSET:

Most investors regularly asses the value of their stock portfolio, so why wouldn't a business owner do the same with their most valuable asset?

4. UNDERSTAND WHAT YOU CAN DO BETTER:

When performing a valuation, industry experts will perform an extensive assessment your operations to understand what you are doing well and where you could improve, allowing you to maximize your exit strategy.

5. PLAN FOR GROWTH:

Knowing the value of your business will help you make better business decisions, especially when looking towards future investments and expansions.

6. MANAGE RISK:

Planning for a rainy day can help save a lot of money. Think of it as an insurance policy that gives you piece-of-mind when unexpected pitfalls occur.

DSMA'S EXPERTISE

50
Industry Experts

425+
Successful Transactions

1000+
Years of Combined Experience

75
Successful Transactions in 2022

6
Dedicated CPAs / CFA

171
Days on Average to Close

1700+
Dealership Valuations



ANTHONY CODISPOTI, CPA
Sr. Manager-Valuations
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"Obtaining a professional valuation for your business is not just a prudent financial decision; it's a strategic compass that unlocks insights, empowers informed decision-making, and enhances the overall resilience and value of your enterprise in today's dynamic marketplace. Let DSMA's valuation experts help unlock your dealership's true value today."

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DSMA-FACILITATED **CLOSED TRANSACTIONS**

LE GROUPE AUTOMOBILE DESJARDINS

ACQUIRED

Groupe Samatas

Doug Kego

ACQUIRED

Volkswagen LACHUTE

Anthony Aquino

ACQUIRED

Autohaus Stackelberg

Trotman AUTO GROUP

ACQUIRED

vip Mazda

Adrian Vegnaduzzo

ACQUIRED

CARSTAR Collision & Glass Service

Allier

ACQUIRED

KIA Desrosiers

HOOVER AUTOMOTIVE GROUP

ACQUIRED

Sutherlin Volkswagen Lithia Springs

GERALD

ACQUIRED

KIA HAWKINSON KIA Matteson Auto Mall

HAWKINSON NISSAN Matteson Auto Mall

Fowler HOLDING COMPANY

ACQUIRED

PEAK KIA NORTH

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

Mélissa Samatas, VP of the Samatas Group

"I wanted to take a moment to thank you, DSMA and your team's professionalism throughout our purchase of VIP Mazda.

Closed on Wednesday and, as per every deal, had some road bumps along the way to the finish line which was all in normal course. I want to highlight Rick Kingdon and appreciate his thorough commitment, experience and expertise in representing both parties to a successful closing.

I'm very grateful for the relationship we've established with your team and look forward to much more ahead!"

Mark Trotman, New owner of VIP Mazda

DSMA-FACILITATED **CLOSED TRANSACTIONS**

CASTLE Automotive Group

ACQUIRED

Pugi

Jeff Garon and
Kris Rams

ACQUIRED

ROBINSON
CHRYSLER • DODGE • JEEP • RAM

ARORA AUTO GROUP

ACQUIRED

mazda | AIRPORT MAZDA OF TORONTO

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craftsman collision

ACQUIRED

Northstar Body
Shop

Joël Grégoire

ACQUIRED

Rivière-du-Loup Honda

Pierre Deraspe

ACQUIRED

LEDF Sports
Îles de la Madeleine

JEAN DUMAS MULTICONCESSIONNAIRE

ACQUIRED

Laflèche

Ford

Steele AUTO GROUP

ATLANTIC CANADA'S EV EXPERT

ACQUIRED

INTERNATIONAL ECI TRUCKS

"We prioritize understanding each client's unique attributes to tailor our marketing strategies effectively. Balancing this with confidentiality is paramount, ensuring our clients' interests remain protected while achieving optimal results in dealership transactions."



SANDRA LIEM
Dir. of Marketing
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"I'd also like to take this opportunity to thank you and the entire DSMA team for the excellent service you provided. We liked the way the transaction went."

Éric Desrosiers, former owner of Kia Desrosiers

"When we began our discussion with Jennifer Rafael, Vice President of DSMA, we were impressed with her level of professionalism and attention to detail. DSMA has a defined valuation process that provided us with the critical information which allowed our family to make an informed decision to sell our businesses.

DSMA held the highest level of confidentiality during the transaction and was available every step of the way. The team at DSMA provided a clear path to the execution of our sale. We want to thank DSMA for their commitment to excellence and making this a delightful experience. If you are considering selling or buying a dealership, we highly recommend Jennifer Rafael and the DSMA team."

Bob & Jim Hawkinson, former owners of Hawkinson Kia and Hawkinson Nissan


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PEOPLE KNOW...
...WE FUEL
THIS INDUSTRY.
DS
MA
REAL PEOPLE.
REAL DEAL.
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DSMA'S ACQUISITION **OPPORTUNITIES** (PARTIAL)

ID# Brands Group	Province/State	Annual Sales (MIL)	5 YR Av Net Profit	Real Estate Status	New Volume	Used Volume
6380/Asian	Illinois	$ 76 - $ 125	$ 4 - $ 7	Sale	250 -500	1,000 - 2,000
5191/Domestic/ Asian	Illinois	$ 126 - $ 200	$ 4 - $ 7	Sale	2,000 plus	2,000 plus
4731/Multi-Luxury	Midwest	$ 200 plus	$ 4 - $ 7	1 Lease, 1 Sale	250 -500	750 - 1,000
6004/Domestic	Texas	$ 76 - $ 125	$ 2 - $ 4	Lease	500 - 750	1,000 - 2,000
5823/Asian	Indiana	$ 11 - $ 25	$ 0.5 - $ 1	Sale	100 - 250	250 -500
5939/Domestic	The Carolina's	$ 41 - $ 75	$ 0.5 - $ 1	Sale	250 -500	500 - 750
4987/Domestic	Midwest	N/A	N/A	N/A	N/A	N/A
3887/Asian	Colorado	$ 11 - $ 25	$ 0.5 - $ 1	Sale	100 - 250	100 - 250
3347/Domestic	Saskatchewan	$ 26 - $ 40	$ 1 - $ 2	Sale	250 -500	250 -500
5179/Domestic	Ontario	$ 76 - $ 125	$ 2 - $ 4	Lease to Own	500 - 750	1,000 - 2,000
4317/Domestic	Saskatchewan	$ 26 - $ 40	$ 0.5 - $ 1	Sale	100 - 250	0 - 100
2718/Domestic	Saskatchewan	$ 11 - $ 25	$ 0.5 - $ 1	Sale	100 - 250	100 - 250
5667/Domestic	Saskatchewan	$ 26 - $ 40	$ 0.5 - $ 1	Sale	100 - 250	100 - 250
5801/Domestic	British Columbia	$ 11 - $ 25	$ 0 - $ 0.5	Open to Lease or Sale	0 - 100	0 - 100
4488/Domestic	Ontario	$ 26 - $ 40	$ 1 - $ 2	Sale	0 - 100	0 - 100
5466/Domestic	Alberta	$ 11 - $ 25	$ 0 - $ 0.5	Sale	100 - 250	100 - 250

U.S. Opportunities

Canadian Opportunities

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For additional acquisition opportunities, visit DSMA.com

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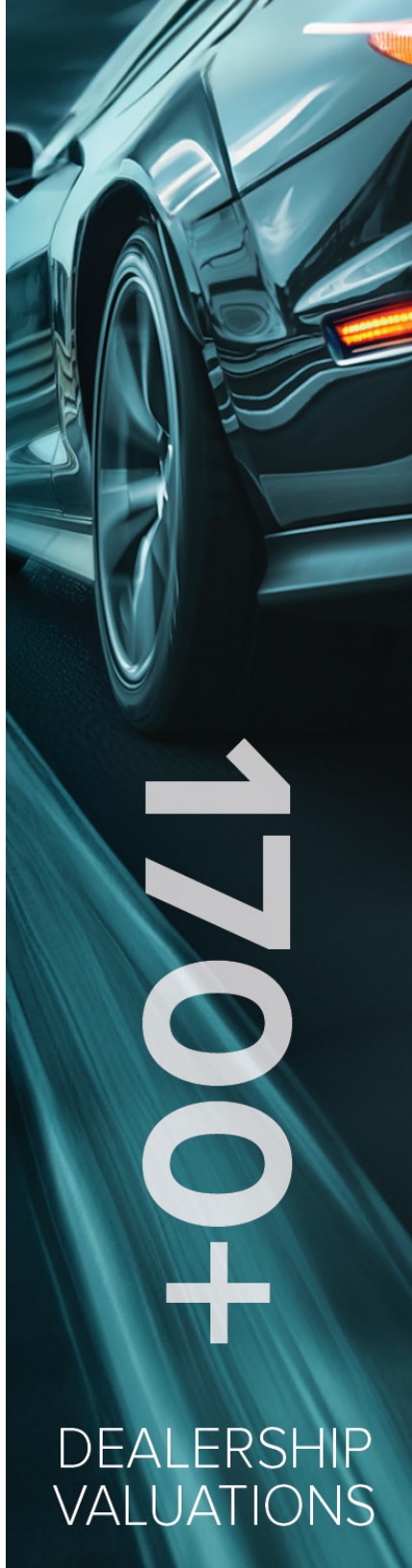


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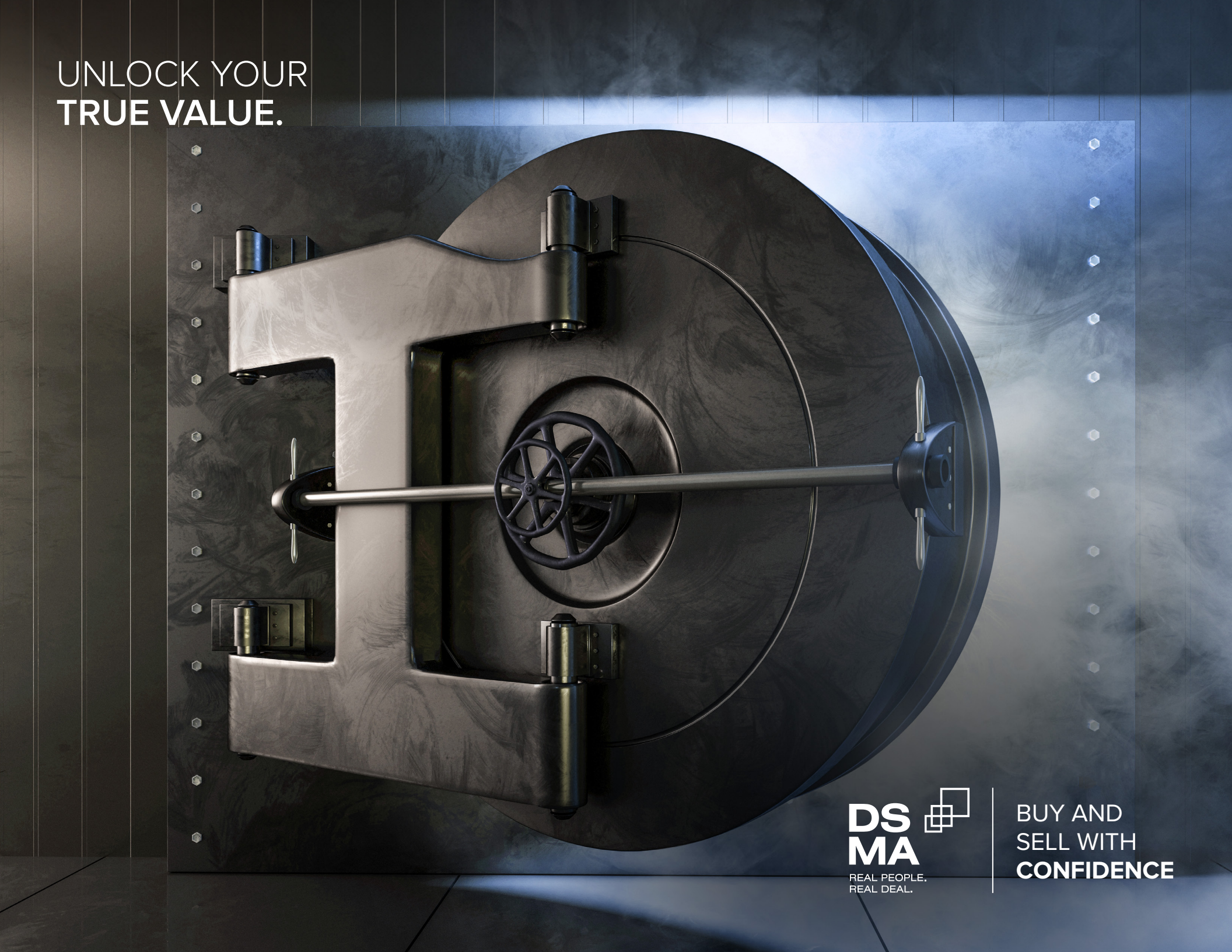


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