

WINTER **NEWSLETTER**

MARCH 2024

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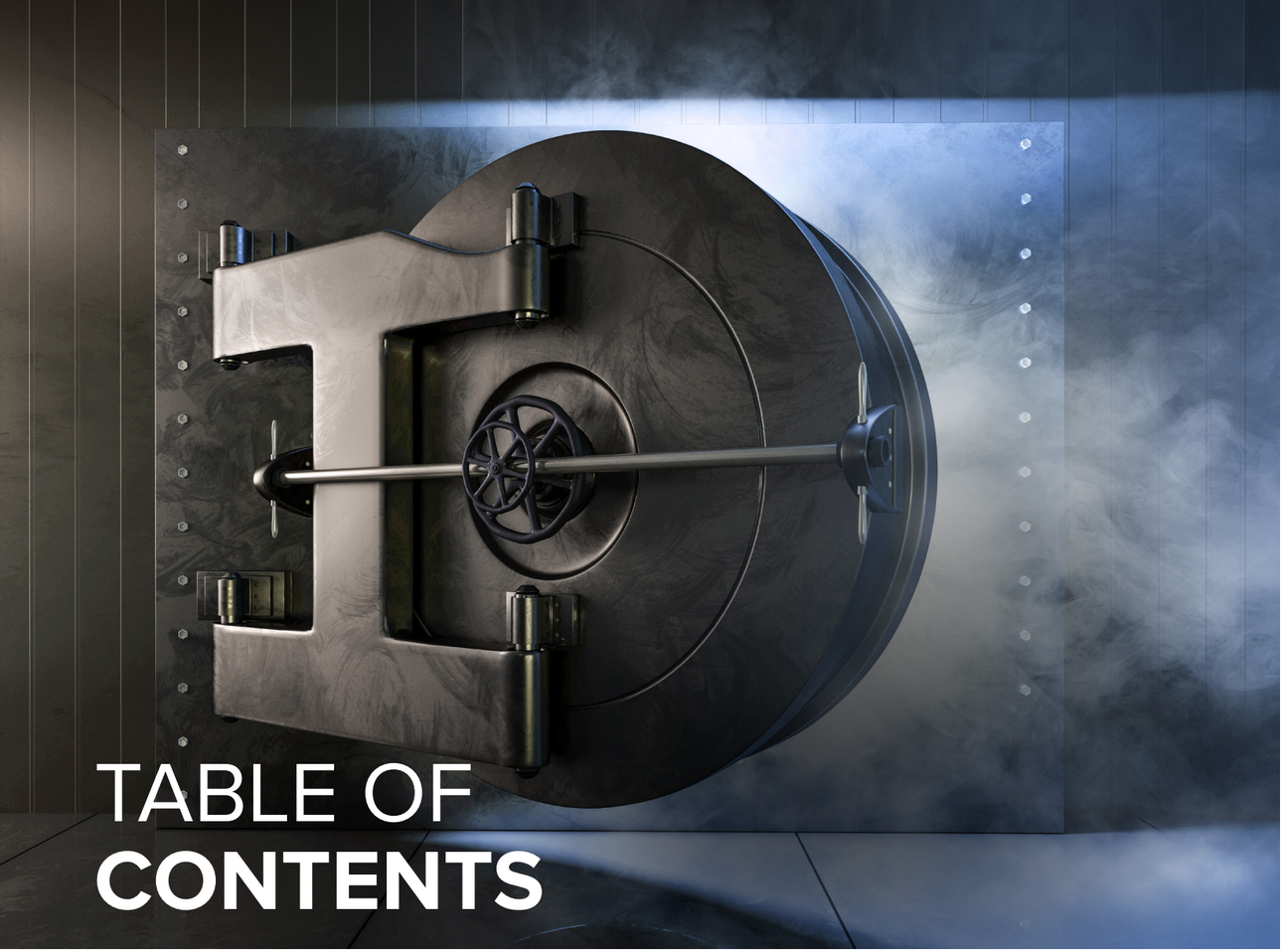


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DSMA'S **MARKETING TEAM**

Welcome to our DSMA Winter-end Newsletter.

As we transition from winter to spring, the automotive industry continues to experience significant shifts and opportunities. From the ongoing evolution of electric vehicles to the impact of escalating interest rates, the mergers & acquisitions (M&A) market remains a focal point for discussion and change.

At DSMA, the best interest of our clients is always at the forefront of our business. Valuing transparency and ethical business practices, DSMA believes it is a conflict of interest to represent and charge both sides of an automotive M&A transaction. Our in-depth feature on conflict of interest in the M&A world offers a nuanced perspective on ethical considerations in deal-making.

In this edition, we delve into why you should know the true value of your dealership, providing key insights that can give you a competitive edge in the market. We also discuss the advantages of acquiring a dealership group, shedding light on the benefits of consolidation in today's automotive landscape.

As dealers face shifting dynamics in the buy-sell market, we provide valuable guidance on navigating these changes and seizing opportunities for growth and expansion. We are proud to announce our expanded global presence through a strategic partnership with UHY Hacker Young, enhancing our ability to serve clients in Europe and beyond!

We cover highlights from the 2024 NADA Show in Las Vegas as we hosted our first DSMA VIP Reception; we were honored to see our CEO, Farid Ahmad, be recognized as an Automotive News Notable Champion of Diversity at the recent ceremony that kicked off the Canadian International Autoshow in Toronto.

As always, we present the latest North American goodwill multiples breakdown by brand, offering valuable market intelligence to inform your decision-making.

We extend our gratitude for your continued engagement and trust in DSMA. We remain committed to keeping you informed and empowered in the ever-evolving automotive landscape and we invite you to reach out to us for your current buy-sell needs.

Sincerely,



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KNOWING THE VALUE OF YOUR DEALERSHIP: **A KEY ADVANTAGE**

According to our team at DSMA, which has carried out over 1,700 dealership evaluations across North America, knowing the true market value of your business is the most important asset a dealer should have in 2024.

WHY IS IT SO IMPORTANT TO CONDUCT THIS VALUATION?

Proactive companies in any sector instinctively know that they cannot wait for an event or a crisis in either their industry or the financial markets in order to be prepared to react. A regular dealership appraisal provides the owner with a much-needed accurate picture of its tangible and intangible business assets.

By having this assessment in hand, the dealer demonstrates that he or she is ahead of the eventualities his or her business may face. He or she knows what needs to be improved to be among the best in the industry - and financial partners love that! In fact, more and more North American financial institutions are using DSMA appraisals to grant loans to dealers who request them.

Knowing the value of your dealership also helps you to be well-prepared for succession, to be able to navigate troubled waters in the event of tight cash flow, or to obtain financing for expansion plans. A signed DSMA assessment also helps to cope with personal events such as separation, divorce, or even death. These events can affect the dealership's day-to-day operations from one day to the next, and having a business valuation in hand can help you get through these difficult times.

HOW DOES THE VALUATION PROCESS WORK?

From the moment the dealer calls on our services, our team composed of financial analysts, CPAs, and economists, begins a thorough and meticulous evaluation of all departments affecting the business. Departmental activities, loans, vehicle fleet, financial reports... everything is examined with a fine-tooth comb. Even better, there is no need for the owner to travel in 2024 - everything can be done remotely. Either by e-mail, text message or virtual chat, and all document exchanges and dealer responses to our questionnaires are secure and confidential.

Just like in a tax exercise, it is essential that the dealer gives a true picture of all his or her activities and assets for the valuation to be accurate. In general, the process, which is carried out between the dealer and a member of the DSMA team, takes between two to three weeks to complete. We recommend carrying it out on an annual basis, particularly at the beginning of the year, between January to April. In many cases, this is the period when most car dealerships complete their financial year, a time for preparing taxes and financial statements with their accounting teams. This is an opportune moment, as dealers already have most of the documents they need to carry out the appraisal.

WHAT ARE THE OTHER ADVANTAGES OF A DSMA EVALUATION?

No one wants any unpleasant surprises. Our dealership evaluation remains the best preventative exercise, providing a quick visualization of good (and not-so-good) dealership practices.

Thanks to our expertise and the incalculable data provided by our QUOTUS data analysis tool - a confidential and secure digital platform with over 3.5 million dealer data points, our assessing helps maximize the value and continuity of the business. It offers a solid boost to dealers wishing to improve their performance and identify any shortcomings in their departments.

Our qualified staff of dealership experts can detect business trends at an early stage, so that the dealer doesn't leave money on the table, whatever the market or location of the dealership.

Out of the thousands of evaluations we've carried out over the past ten years, the results of many have been more than 20% off the dealer's expected value. A difference that is generally higher...but sometimes lower than the dealer's expected value.

For all these reasons, we at DSMA are convinced that our evaluation service is the most effective tool for ensuring the growth of motor-vehicle dealerships operating not only in the automotive sector, but also in the motorcycle, heavy-duty truck, agricultural, marina, heavy-vehicle industry, and rental portfolios. To date, we are the most reliable business intelligence team in the North American automotive market.



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STRATEGIC ADVANTAGES OF **ACQUIRING A DEALERSHIP GROUP**

With the automotive scene and the M&A market in flux, we sit down with François McDonald, Executive Associate at DSMA, to discuss a phenomenon on the rise: automotive groups. How will they influence your next acquisition strategy? Let's find out today.

Q: How can diversifying the geographical locations of a dealership group be beneficial? Is it preferable to remain focused on a limited perimeter, or to broaden one's scope of action?

This answer is twofold. It should be noted that, technically, once a second dealership has been acquired, a buyer is considered a group. And groups, regardless of their size, become attractive to buyers because of their market footprint: whether for their geographical reach or the manufacturers they represent, buying groups becomes highly strategic.

When analyzing the profile of a typical buyer, the reason for acquiring a group can be both geographical and reputational. For example, a group may seek to strategically expand the brands it represents to reduce their risk, if for example one of its brands is experiencing difficulties; this group will not make the same decisions as a group wishing to expand into a different geographical territory. Risk is not generally associated with one over the other. However, I would say that one advantage of keeping dealership operations in one geographical territory is that it's easier to control your operations.

What's more, representing several brands in the same region means greater ease of management. Not only can the management team move around more easily, but certain departments can be centralized: human resources, advertising, accounting, and more.

However, the idea of geographic diversification remains viable in Quebec, as it reduces the risk of being associated with a single regional industry. Regardless of the main industry in each region, one becomes more at the mercy of local economic conditions, which, when they rise or fall, affect vehicle sales and dealership operations - but Quebec's regions differ so much in terms of their specific local industries that regional group purchasing helps reduce the risk associated with a specific geographic territory.



Q: How does human resources management differ, and what impact does it have on overall performance? Are there any entrepreneurial management advantages to groups?

In my opinion, staff development and growth opportunities are positively impacted in a group context. Sure, there will be movement and unforeseen events as in any business (separations, deaths, sick leave, etc.), but being part of a group creates more opportunities for its employees, and more motivation for them - with more than one dealership to operate, a demand is created internally, where we see more open positions and career advancement opportunities for group employees.

Q: What operational synergies can be achieved by grouping several dealerships together, and how can this lead to greater efficiency?

Centralization and standardization of departments greatly help operations. Indeed, having access to more centralization opportunities for each department - vehicle storage, employee training, etc. - helps establish a standard across the board.

If one person looks after all the finance managers and ensures that these standards are met, it becomes much easier to manage a group successfully.

In short, maximizing internal processes, and by extension the results of individual departments, ensures that a group improves its performance and financial results, and that each of its dealerships benefits from the best operational practices.

CHALLENGES AND TRENDS

Q: Is it easier to be approved a manufacturer once you own several dealerships, or are all dealers on an equal footing when it comes to manufacturer approval?

Bearing in mind that each manufacturer has its own criteria, I'd be inclined to say the process of OEM qualification and approval for a group can be streamlined as evidence such as strong sales figures and returns on these, high good satisfaction index and market share results are easily accessible and demonstrate its dealerships being well managed - but all this remains specific to the manufacturer you're dealing with.

On the other hand, growth with the same manufacturer may be limited to a certain number of dealerships, depending on the brand's specific representation criteria in a given geographical area.

Q: What are the specific challenges of managing a group?

The greater the number of employees and dealerships to manage, the greater the workload for managers. More effort is required to ensure the well-being of all employees while keeping group motivation high, to manage many interpersonal situations, relations with suppliers, all facets of daily operations - in short, to continuously put out fires. Small or large, each group must also deal with the many demands of each manufacturer they represent - one has new tools, one has image programs to update, another has a general recall to customers owning specific models, etc. The more you diversify your partnerships, the more you face these types of situations. You always need to make sure you have the right processes in place, so you don't lose sight of the details and workings of your operations.

Q: Are there more dealership groups for sale today? What are the current trends?

Yes, the trend will continue in the years to come, as we see more and more of them on the market - with potential strategic merger options.

Q: Is goodwill affected (or influenced) by the purchase of a group?

This is based on each of the independent operations and combined when looking at a complete group. Thus, goodwill will remain impacted by market trends associated with each brand, as well as potentially subject to a buyer's motivation to acquire brands held by a selling group.

OPPORTUNITIES WITH DSMA

Q: What were DSMA's concession group transactions in 2023?

The most recent transaction was in November 2023, when we sold a group of 4 Honda car dealerships, 1 Honda motorcycle dealership, and 1 rental company in the greater Montreal area. In the past, we've managed transactions involving groups with even more operations sold, but this is the most recent.

Q: Does the process of buying and selling a group of dealerships differ from that of a single transaction? If so, how?

Yes: the more locations, operating companies and manufacturers involved, the more dexterity is required to manage the process and direct the parties involved to a successful closing. Although the process is similar between individual and group transactions, the latter consist of more parties involved and therefore more management of the process - but with a partner like DSMA, all transactions, no matter how large or small, remain professionally and personally managed by the most experienced team of associates in the industry.



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> "In short, maximizing internal processes, and by extension the results of individual departments, ensures that a group improves its performance and financial results, and that each of its dealerships benefits from the best operational practices."

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EQUITY.

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DEALERS FACE SHIFTING **BUY-SELL DYNAMICS**

AS FEATURED ON: AUTOMOTIVE NEWS EXECUTIVE INSIGHTS

After a prolonged period of unprecedented activity, mergers and acquisitions in automotive retailing have slowed, and valuations and profits have cooled compared with the preceding go-go years. Nonetheless, the market remains active despite some challenges, particularly high interest rates.

As retailers face these economic uncertainties, questions abound: Is it still a good time to buy or sell a dealership? Will the lag in consumer interest in electric vehicles have any impact? And what about the looming shadow of a shift to an agency model of auto retailing? For some insights, Automotive News Canada reached out to Farid Ahmad, the founder and CEO of Dealer Solutions Mergers and Acquisitions (DSMA).

Q: Is the year ahead shaping up to be a buyer's or seller's market in mergers and acquisitions? What are the headwinds that might affect M&A activity?

Farid Ahmad: All our data points to 2024 being the most balanced year yet for buyers and sellers. In more than a decade of matching both parties and more than 425 transactions later, I don't think we have ever seen anything like this. Economic factors such as rising interest rates, goodwill numbers declining 11% and the early year instability amongst U.S. banks have made this year a peculiar one. But the market remains active despite the looming uncertainties. Large automotive groups continue to expand, and dealers continue on their roads to retirement. They may change the way they sell their legacy, but they're selling it nonetheless.

Q: Nearly four years ago, restrictions imposed by the pandemic shrank inventories, and dealership profits soared. Now inventories are recovering, and dealership profits are slipping. Have dealers missed their window to sell? Or conversely, is this an even better time to buy?

FA: Inflated inventories and rising interest rates have most definitely had a negative impact on dealership profitability across North America. Brands such as Stellantis have suffered more than others due to growing unsold inventories, and we unfortunately cannot put this behind us quite yet. Indeed, as manufacturers get back on the production line and interest rates remain high, we are predicting this trend will continue in 2024. The question is, how much will interest rates and the current state of the economy affect buyers' decisions to buy or lease vehicles?



Q: The electrification era will require retailers to invest in their operations. But at the same time, the transition from internal combustion engine (ICE) vehicles to electric vehicles (EVs) seems to be slowing. What impact will this uncertainty have on the pace of M&A activity?

FA: There most definitely are concerns that EVs will weaken business valuations in the coming years, making many dealers wonder if they should sell sooner rather than later. However, the global movement for a permanent switch to EVs is not slowing down.

> "The market remains active despite the looming uncertainties; large automotive groups continue to expand, and dealers continue on their roads to retirement."

I noticed that this growing demand from OEMs to push EV sales has worried a large number of dealers, as North America is not quite prepared to service them yet. Customers are also wary due to a lack of functioning charging stations, pricier models and range anxiety, so they keep choosing ICE vehicles over electric models. On the other hand, OEMs are pressuring dealers to fill their lots with their latest EVs, which is creating a concerning imbalance.

The growing buildup of EV inventory in many U.S. Ford dealerships has been staggering to see, and I expect to see a lot more in the coming months.

On a lighter note, we at DSMA have been representing Vicinity Motor Corp., one of the only commercial Class 3 and 5 truck manufacturers in the EV world with inventory currently on the ground. As we seek more potential dealer partnerships, we have been pleasantly surprised at the level of interest. As prices are increasing across the board, trucking and transportation need the most attention in

terms of cutting costs – and this is where we come in. So, depending on the product, I see a mix of reluctance and hopeful anticipation.

Q: Retailers and consumers alike are feeling the effects of higher interest rates in the form of falling profits and rising prices. How will this affect M&A activity in the next year and beyond?

FA: That's the million dollar question. When it comes to rising interest rates, we will have to wait and see how they fluctuate in 2024. But I do predict that manufacturers will come out with various strong incentive programs to offset the losses they incurred. Such programs will keep the M&A market relatively dynamic while things level out.

Q: What should a dealer consider when deciding whether to buy and grow or sell and go?

FA: There are so many factors to consider, it would require a full page! However, if I had to narrow it down, I think buyers and sellers should each consider two things:

If buyers really want a dealership, they shouldn't sweat the small stuff – there is no need to argue over the price of lightbulbs or a paint job. Keep the bigger picture in mind. Second, they should make sure their offer is clear and simple to read – the fewer conditions, the better.

Sellers should make sure their books and facilities are in order, from the financial statements all the way to the used vehicles on the front line of your business. The cleaner the books, the less headaches they will encounter during the due diligence phase of the transaction. By doing so, they also reduce the probability of any renegotiation during the purchase-agreement stage. Moreover, sellers should truly understand their walkaway number. Typically, this is the amount dealers are consistently confused about, which makes it very hard for them to assess what they will be left with after the deal has closed.

Q: So many changes are buffeting retailing: Omnichannel sales processes; a shortage of talent; and the agency model of retailing, where the automaker and not the dealer is the retailer. How should this factor into any decisions on whether a retailer is a buyer or seller?

FA: The only constant in the automotive industry is change. I will say that dealers are the greatest entrepreneurs in the world – they know how to pivot and adapt quickly. So yes, I do see some of the issues you raise as challenges, some being greater than others. However, I would simply say that if these worry you, then now is a great time to cash in your chips.

Q: If it's true that challenges also present opportunities, what are the M&A opportunities that auto retailers should look for as they confront the challenges expected in the year to come?

FA: They absolutely do present opportunities. I believe the organizations with the greatest grasp of technology, who have hired multiple layers of quality management and that have strong relationships with their manufacturers will be the greatest winners during these times of uncertainty. For those who aren't as prepared, they should look for the right opportunities to either exit the industry, perhaps by hiring a younger partner who can take over when they are ready to retire, or by looking for the right buyer. A good example is the growing movement of auto groups that are currently expanding their portfolios in more rural areas. Dealers who are not located in high-traffic areas should consider approaching groups instead of individuals for a better chance of selling.



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NAVIGATING A CAREER IN **AUTOMOTIVE M&A**

As the Director of People and Corporate Strategy at DSMA, the leading Automotive Mergers and Acquisitions Firm, I am privileged to lead our people growth strategy that plays a pivotal role in shaping the heartbeat of our organization.

In a niche market such as automotive M&A, finding talented individuals who not only possess the necessary skills but also align with our company culture can be a challenging endeavour. This challenge becomes even more pronounced when operating with minimal competition in a specialized industry, making the skillsets and experience that much harder to find.

To provide a clearer picture, let's break down the role of an M&A associate in the automotive industry.

First, our front-line professional sales associates are the lifeblood of our organization, driving the buy-sell dynamics that define our industry and propel our company's success. They act as intermediaries between buyer and seller, facilitating the transaction of automotive businesses. It requires a keen eye for market trends, a comprehensive understanding of dealership operations, and exceptional interpersonal skills to navigate the complex landscape of negotiations.

Success in this dynamic and fast-paced environment hinges on a combination of market knowledge and a deep understanding of the automotive landscape. In addition, you must be known as someone who respects confidentiality and has a high level of integrity – it is, after all, the relationships that you build which will determine your fate in this business.

We reached out to some of our DSMA M&A associates, both newcomers and seasoned veterans, to share their experiences. We asked Darren, a recent addition to our team who just closed his first deal, to tell us why he decided to leave his corporate job with an OEM and join DSMA. He expressed " I honestly wasn't looking, but when I learned about the company and the role, I became intrigued about my potential success. It seemed like a challenge, and I was looking forward to seeing how I could utilize my relationships with dealers to serve them differently. I haven't looked back since."

On the other hand, Lev, who has been with us for several years, highlighted the importance of teamwork. "Our operations team is the best and we wouldn't be as successful without them. They handle the behind-the-scenes complexities, ensuring that our deals progress smoothly. It's a collaborative effort that truly sets us apart."

For those considering a career in automotive M&A, it's essential to understand what we call "the good the bad and the ugly". Every role has its challenges, and this one is no exception. The pros include the opportunity to work in a specialized and growing niche, the potential for lucrative deals, and the satisfaction of playing a crucial role in working with dealers in exiting their business or growing it through acquisitions. However, the cons include the inherent challenges of navigating a complex and longer sale cycle, not to mention the pressure of meeting client expectations and juggling several priorities throughout the day - this is not for the faint of heart.

Here are some useful tips if you are considering a career in automotive M&A.

> "In a niche market such as automotive M&A, finding talented individuals who not only possess the necessary skills but also align with our company culture can be a challenging endeavour."



5 TIPS FOR PROSPECTIVE SALES PROFESSIONALS LOOKING TO ENTER THE WORLD OF AUTOMOTIVE M&A:

1. Educate yourself: a solid foundation of market and industry knowledge is key.

2. Develop strong interpersonal skills: success in this field relies heavily on building and maintaining relationships. Effective communication and negotiation skills are paramount.

3. Embrace change: the automotive M&A landscape is always evolving. Being adaptable and open to change is a fundamental trait for success.

4. Build a strong network: establish connections within the industry. A robust network can open doors to valuable opportunities and partnerships.

5. Seek dealership experience: learning from experienced professionals can provide invaluable insights and accelerate your growth in this field.

In conclusion, the world of automotive M&A is not for the weak-willed, but for those with grit, passion for the industry, a commitment to continuous learning, and the ability to navigate negotiations. If you've got what it takes, it can be an immensely rewarding career.

Our firm thrives on the diversity of talent within our firm, and we look forward to welcoming individuals who share our dedication to excellence in automotive mergers and acquisitions.



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FORECASTING THE 2024 **DEALERSHIP M&A MARKET**

AS FEATURED ON: CBT NEWS DRIVING SOLUTIONS



The dealership M&A (mergers and acquisitions) market has demonstrated incredible resilience in the post-pandemic economy, remaining undaunted by rising interest rates and fluctuating demand. On the other hand, the buy-sell landscape is prone to rapid change, making it difficult to answer the question: is now the right time to sell?

We're excited to highlight insights from a recent episode of Driving Solutions featuring Farid Ahmad, President and CEO of DSMA (Dealer Solutions Mergers and Acquisitions). Farid discusses the resilience of the dealership M&A market in the post-pandemic economy and provides valuable insights into navigating the buy-sell landscape amidst rapid change.

KEY TAKEAWAYS:

1. Ahmad reports that 2023 was a very good year for the dealership M&A market, but it also presented many challenges to both buyers and sellers.

2. Most notably, the banking and lending landscape became more troublesome, especially regarding goodwill financing. Although buyers could obtain financing for stores with high blue-sky values throughout 2022, banks began to approve these loans of such size less and less over the course of 2023. Ahmad notes that automakers also became more selective in the buyer approval process, a sign of increased caution toward the M&A market.

3. For buyers looking to bypass these challenges, Ahmad recommends they look for sellers who will include the real estate in their purchase. This can attract extra financing from lenders. Another strategy is to ask for a vendor take-back (VTB), a strategy that Ahmad notes was used in an unusually high number of contracts in the 2023 M&A market. In this scenario, buyers ask sellers to loan them enough cash to cover part of the purchase, with the promise that the funds will be repaid in full with interest.

4. Chrysler, General Motors, and Ford dealerships sold the most in 2023, which is to be expected given the size of each franchise. However, a surprising number of buyers also pursued Honda and Volkswagen stores, placing them in the top five. Hyundai and Kia storefronts are also selling for huge sums of money, although Ahmad notes that their values vary from market to market.

5. In 2024, Ahmad believes that interest rates will drop, which has historically accelerated activity in the dealership M&A landscape. However, whether banks will become more optimistic in the coming months depends on a variety of external factors, including international conflict and the housing market.

6. A growing number of dealership buyers are expanding into Canada, where groups such as Lithia Motors have made impressive gains. Ahmad expects this M&A trend to continue throughout 2024, given the size of the country's automotive market.

For the full episode visit the CBT News website.

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



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> "We've plateaued; 2023, in my opinion, was a plateau year, and now the only way most of these multiples have to go is down, but not dramatically."

DSMA EXPANDS GLOBAL PRESENCE WITH **STRATEGIC PARTNERSHIP WITH UHY HACKER YOUNG**

DSMA, a leading automotive M&A firm based in North America, 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.

As the fastest-growing automotive M&A company in North America, DSMA has firmly established its presence with regional offices strategically located in Calgary, AB, Chicago, IL, Las Vegas, NV, Montreal, QC, Nashville, TN, New York, NY, Scottsdale, AZ, St. John's, NL, and Vancouver, BC. Our expansive reach is further complemented by associate representation across all states and provinces, enabling DSMA to deliver localized expertise and personalized service to clients seeking unparalleled support in the automotive industry's dynamic landscape.

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."

> "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."

KEY HIGHLIGHTS OF THE PARTNERSHIP:

Cross-Border Opportunities: DSMA clients will gain access to highly confidential dealership acquisitions opportunities in the European market, particularly in the UK, through the expertise and network of UHY Hacker Young.

International Reach: UHY Hacker Young clients will have the opportunity to explore and engage in dealership transactions in North America, leveraging DSMA's extensive experience and presence in the region.

Global Benefits: The partnership aims to create a symbiotic relationship, where both sets of clients benefit from enhanced access to international deals, fostering growth and expansion in the automotive industry with sights on the rest of the world.

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.

ABOUT UHY HACKER YOUNG:

UHY Hacker Young, a prominent member of the global accounting network UHY Hacker Young International, extends a broad spectrum of audit, accounting, and business advisory services. Clients benefit from specialized technical advice, covering international tax planning, intricate VAT transactions, fundraising processes, and support for struggling businesses. As part of the Top 20 Group of UK chartered accountants within UHY International, established in London in 1925, UHY Hacker Young operates with a team of 100 partners and 640 professional staff across 23 offices in the UK. As a distinguished firm specializing in M&A transactions, UHY Hacker Young focuses on providing expert advice and facilitating successful deals, particularly within the automotive sector, making it a trusted partner for businesses seeking growth and expansion in the UK market.

> "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."



CONFLICT OF INTEREST **IN THE M&A WORLD**

As we transition into a buyer's market of automotive mergers and acquisitions, transparency and fairness are paramount. Brokers are entrusted with sensitive information and have a duty of care to conduct thorough market research, analyze potential risks, and provide informed guidance to our dealers.

I firmly believe ethical conduct and confidentiality is the foundation of successful deals and hope to shed some light on a critical issue.

At Dealer Solutions Mergers and Acquisitions (DSMA), we pride ourselves on the fact we only charge fees on one side of the transaction. Meaning, only the seller or the buyer will pay our success fee after a deal closes. Unfortunately, there are other mergers and acquisitions firms who feel it is appropriate to charge their clients on both ends.

When analyzed, there is a potential conflict of interest when a broker charges both sides of the transaction. Commonly known as dual agency, this practice presents a significant conflict undermining the very foundation of fair and equitable deal making. Brokers should provide full and accurate disclosures regarding the transaction, fees, and terms of the deal.

By representing both the buyer and the seller while charging fees from each party, brokers find themselves straddling a precarious line. This dual role introduces ethical concerns that cannot be ignored.

It's no secret that mergers and acquisitions brokers play a pivotal role in facilitating deals, bringing together buyers and sellers to navigate complex transactions. However, when a broker represents both parties, it compromises the integrity of the deal in several ways.

To start, when a broker stands to profit financially from both sides of the transaction, their motivations become skewed. Rather than prioritizing the best interests of their clients, they may be tempted to maximize their own financial gain. This could lead to biased advice, favoritism, or ultimately a compromised transaction.

Loss of trust also compromises the integrity of the deal. Established trust is the basis of any successful business relationship. So, if the buy-sell participants perceive the broker is serving their own interests rather than acting as an impartial facilitator, it undermines trust and weakens confidence in the deal. This lack of trust can ultimately derail negotiations and jeopardize the entire transaction.

Assuming trust and negotiations have already been threatened, conflict resolution challenges become relevant. In the event of a dispute or argument during the negotiation (which does happen) how does a broker representing both sides mediate the conflict fairly? Their dual role creates a perception of bias, making it difficult to resolve issues and reach mutually beneficial agreements.

To preserve the integrity of transactions and uphold ethical standards, it is essential to mitigate conflicts of interest whenever possible. One effective way to do so is by ensuring that brokers represent either the buyer or the seller exclusively and disclose any potential conflicts up front.

Unfortunately, dual agency is not an unusual brokerage practice in our industry.

The DSMA is committed to upholding the highest ethical standards in our advisory services and believe there is an obligation of loyalty. This means we act with an unwavering dedication to secure favorable outcomes for our dealers by maintaining transparency, fairness, and integrity at every stage of the deal-making process. We strive to build trust, foster positive relationships, and drive successful outcomes.

Let's continue to elevate the standards of professionalism in the automotive industry and work together to create a marketplace that values integrity and transparency. It is only by upholding our fiduciary duty to our clients that we can truly achieve excellence.



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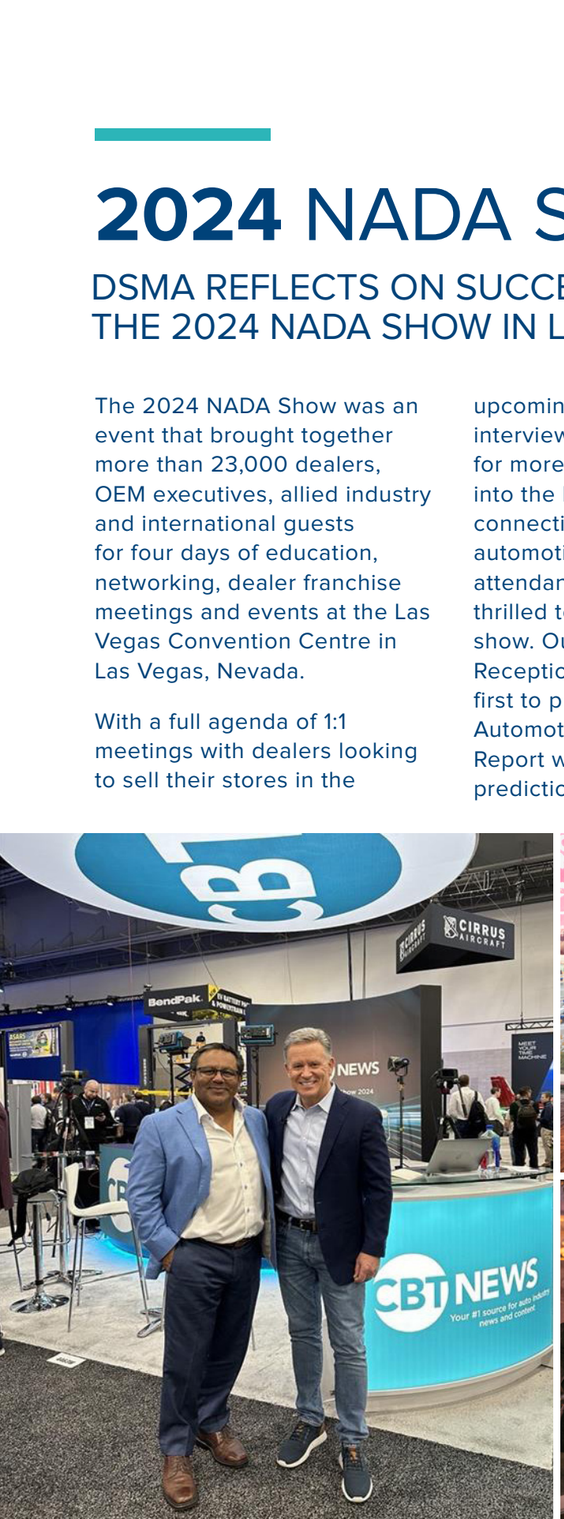
2024 NADA SHOW

DSMA REFLECTS ON SUCCESSFUL PARTICIPATION AT THE 2024 NADA SHOW IN LAS VEGAS

The 2024 NADA Show was an event that brought together more than 23,000 dealers, OEM executives, allied industry and international guests for four days of education, networking, dealer franchise meetings and events at the Las Vegas Convention Centre in Las Vegas, Nevada.

With a full agenda of 1:1 meetings with dealers looking to sell their stores in the upcoming year, sit down interviews with media looking for more content and insight into the M&A world, and connecting with the many automotive professionals in attendance, DSMA team was thrilled to be a part of the show. Our team hosted a VIP Reception where we were first to present the DSMA Automotive Intelligence Report with 2024 industry predictions, insights into current M&A trends, latest acquisition opportunities and North American Goodwill multiples. Over 350 Dealer Principals, Owners, Operators, Accountants, Lawyers, Partners and friends, representing both the USA and Canada, were in attendance at The Loft event venue, with an abundance of cocktails, hors d'oeuvres, entertainment and stunning views overlooking the Las Vegas Strip and Bellagio Water Fountains.

It was an unparalleled reception of networking, collaboration, and knowledge sharing, reinforcing DSMA's commitment to fostering meaningful connections within the automotive sector. Guests engaged in the latest industry discussions, exchanged valuable insights, and forged new partnerships, further solidifying DSMA's position as a leading player in the M&A arena. DSMA extends our sincere gratitude to everyone who joined us for the VIP Reception and contributed to its success. We look forward to building on this momentum and continuing to serve as the leading buy-sell firm in North America. Thank you for another great NADA Show. We look forward to seeing you in New Orleans in 2025!

















425+

DEALERSHIPS SOLD

DSMA'S FARID AHMAD IS RECOGNIZED AS A **NOTABLE CHAMPION OF DIVERSITY BY AUTOMOTIVE NEWS**

The Notable Champions of Diversity in Automotive program has recognized executives that have demonstrated their commitment to improving diversity, equity, and inclusion within the workplace and their communities.

As a proud Canadian of Pakistani descent, Farid is dedicated to championing, developing, and implementing diversity, equity, and inclusion (DEI) strategies and initiatives at DSMA. His goal is to help with the growth of diverse representation in the automotive industry and foster a diverse and inclusive workplace, taking all measurable actions to ensure success.

One of the key aspects that Farid takes pride in is the diverse makeup of the teams at DSMA: with 57 members and women making 50% of the executive team, and with representation from over 20 different countries, DSMA truly values the unique perspectives and experiences brought on by individuals from various backgrounds.

Farid actively engages in promoting diversity and inclusion beyond DSMA. He has established a meaningful partnership with Georgian College, demonstrating the company's commitment to supporting students pursuing a career in the automotive industry. DSMA is the only automotive M&A firm that provides an annual scholarship for students who receive an annual Diversity Award at the Automotive Business School of Canada (ABSC) programs at Georgian College. This diversity award specifically targets self-identifying female, black, or Indigenous students, offering financial support and encouragement to those historically underrepresented in the field. By investing in the education and empowerment of diverse talents, DSMA is shaping a more inclusive future for the automotive industry.

As a member of the National Association of Minority Auto Dealers (NAMAD) in the US and partner of Accelerate Auto in Canada, Farid has been recognized as a dedicated advocate for diversity and equity in the automotive industry. He has also served as a speaker for NAMAD on multiple occasions, sharing his expertise and insights to inspire positive change within the industry.

Furthermore, DSMA proudly extends their support to charitable endeavors, particularly to "The Hope of Life," a prominent global charity. For the past 30 years, this organization has provided humanitarian aid to communities in need across Guatemala. Through initiatives that focus on empowerment, education, and healthcare, The Hope of Life has uplifted countless women, equipping them with the tools and resources needed to create a brighter future for themselves and their families. By aligning with this remarkable charity, Farid and DSMA exemplify their commitment to making a positive difference not only within their organization, but also in communities around the world.





"At DSMA, we consider diversity a strategic imperative. Not only is it the right thing to do, but it's also in our customers' best interests. When I set out to build this company, I made it my mission to offer our clients the best service possible - and to do the best possible job requires the best employees.

Our team, comprised of people of colour like myself, of female executives, and team members of all ages, may not be what's expected in our industry, but then again, neither are our results. And that's a point in which I take immense pride.

I'd like to commend the many dealers who are beginning to direct their attention to this important issue. Whatever stage of your diversity journey you're on, your efforts are helping to make automotive a stronger industry for all."

– Farid Ahmad, Founder & CEO

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.

Data presented by:

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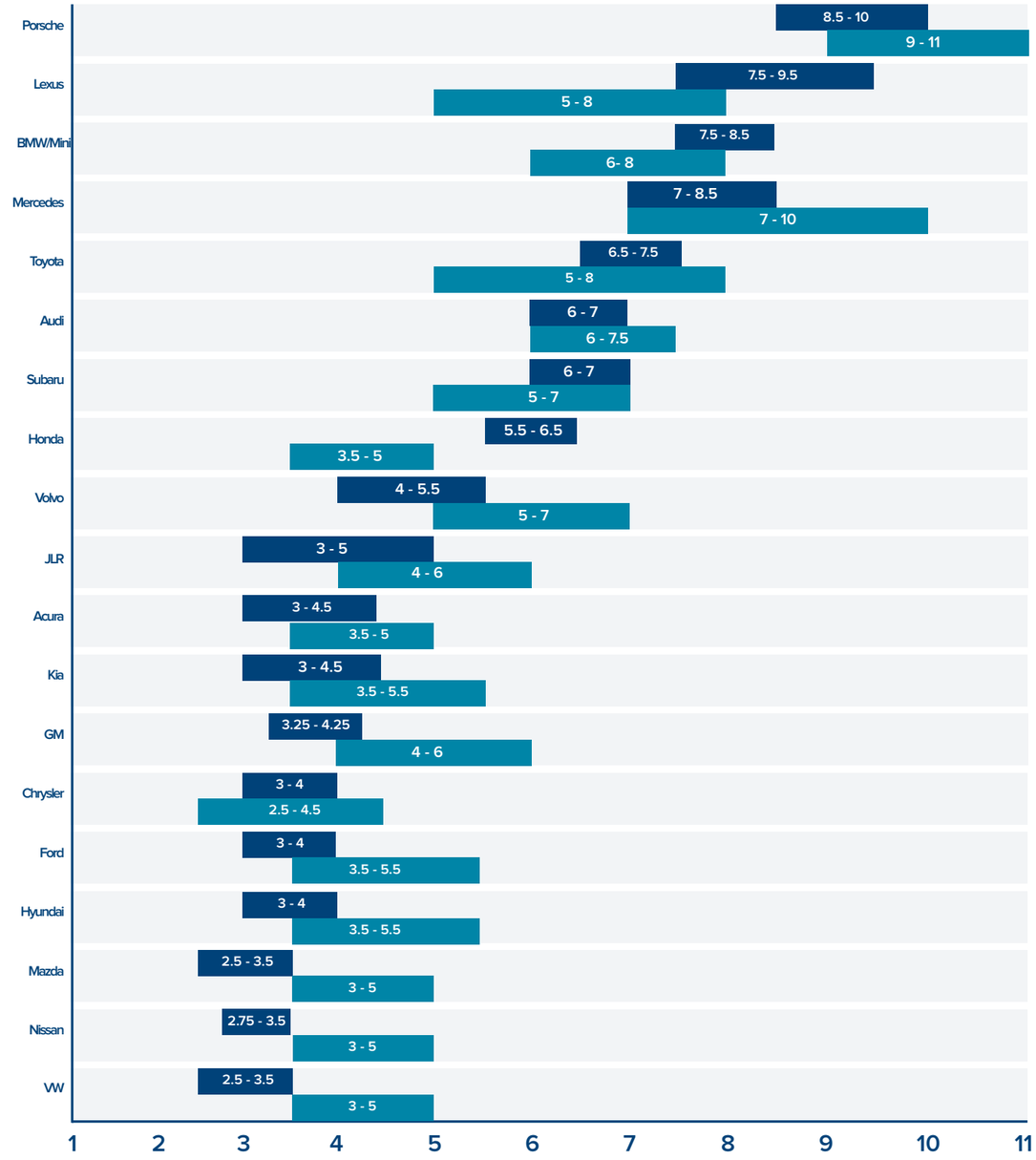
QUOTUS™ is North America's premiere analytics platform, leveraging 1.5 million qualitative and quantitative data points allowing dealers, financial institutions, and OEMs to easily mine and analyze current comparable automotive data.

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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.



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