

SPRING **NEWSLETTER**

MAY 2024

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DSMA'S **MARKETING TEAM**

Dear Readers,

Welcome to our Spring newsletter, where we bring you the latest insights and updates in the automotive industry.

At DSMA, the current season has seen significant activity! Our growth trajectory continues, and we have welcomed many new clients, partners, and friends on a global scale. We are thrilled to have expanded our team of experienced Associates, who are working and residing in their own markets. This gives us incredibly unique insight into how each business should be valued and marketed to maximize ROI. It is our locally and regionally based Associates that drive DSMA to deliver for our clients, every time.

The automotive mergers & acquisition landscape is always evolving and we are finding many business owners left with the fundamental question: is now a good time to sell? In this issue, we dissect the changing dynamics of the market and offer guidance to those at the crossroads of this resolve. From assessing market conditions to understanding the value of working with professional advisors, we help to provide you with insights needed to navigate this decision confidently.

We currently have over 100 opportunities for acquisition in North America and the UK! We hope you check them out. Many have expressed interested in the current state of rural dealerships and in this newsletter, we examine the unique advantages and opportunities these dealerships offer. We explore the Open Point Package and Dealer Profile Package: what they are and when you need one. Our clients have seen much success with these customized packages, that are sure to help you in supporting your strategic plan for growth and to best position your business for OEM approval.

As always, we showcase the latest North American Goodwill Multiples breakdown by brand, leveraging the most current market data and trends.

We extend our gratitude for your continued trust in DSMA. As we navigate the dynamic shifts within the automotive industry, we are committed to keeping you informed and inspired. Should you have any current buy-sell needs, I invite you to reach out to us. Visit our website, follow on LinkedIn or reach out to me. I would love to connect. No one knows the business like automotive people.

Real People. Real Deal.

Sincerely,



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IS NOW A **GOOD TIME TO SELL?**

WHAT TODAY'S BUY-SELL MARKET MEANS FOR AUTOMOTIVE DEALERS CONSIDERING AN EXIT

As a Dealer Principal, the questions of if and when to sell require significant consideration. After all, when it comes to a legacy into which you've likely poured a sizable amount of sweat equity, it's important to ensure that any potential transition reflects the value of the asset you've built.

As with all buy-sell markets, the dealership market can fluctuate. And as a result, trying to pinpoint as a dealer the exact right time to enter the market can feel like trying to decipher a kind of secret code.

If selling your dealership is an option you're considering, the right time to do so is always the timing that works best for you. External market factors will always be in play. The key to making a successful exit as a dealer is to navigate those factors to your greatest possible advantage.

That said, a sizable contingent of dealership principals are finding themselves asking as of late, could now be the right time to sell?

"The question is a fair one, to be sure," said Jennifer Rafael, Vice President and Partner at DSMA.

"Any dealer feeling at all unsure about the market is certainly not alone. The economy at-large has become a new reality for business owners across the spectrum in today's market."

What's important to know now if you're a dealer eyeing an exit is that selling your business in a successful and profitable manner — even in today's sometimes unpredictable market — is entirely possible when you have a strong team backing you.

The question of "When is the right time to sell at top-dollar?" is certainly relevant, but another



question that is perhaps even more important is, “Who is the right partner to help me sell at top-dollar?”

A strong buy-sell partner that is well-versed in the intricacies of auto dealership mergers and acquisitions can help situate you in the best possible position in any given market. And if you’re looking for the right partner, DSMA would like to invite you to discuss how our team can be the right fit for you amongst today’s evolving landscape.

Post-COVID, there are many insecurities about the market. The industry initially encountered inventory and production shortages. However, as the pandemic subsided, the balance shifted markedly. Dealerships found themselves inundated with new inventory while facing difficulties in acquiring used inventory at profitable margins. Furthermore, rising interest rates have compounded the complexity of the situation.

All this has meant profits are down for brands across the landscape of OEM. But that doesn’t necessarily equal a true negative impact for the industry. DSMA’s acquisition strategy sets us apart from other buy-sell partners. By exploring not only historical values, but future values as well, we ensure that our service is relevant to the market. We take out all the “noise” to implement the right strategy for our customers.

Through this strategic process, we’ve examined issues experienced during the last three years and also projected modeling of what the next three will look like, based on market conditions. This approach allows us to right-size our values and make them relevant to today’s market. DSMA helps our customers make decisions based

on comprehensive analysis and modeling rather than instinct and speculation. In other words, we give our customers a data-driven snapshot of the future – one that right now suggests it's a good time to sell.

Here are just a few reasons why dealers choose DSMA as their trusted advisor when considering making an exit from their business:

• **Strong network of interested buyers:** Today's dealership buy-sell market contains a healthy volume of dealers looking to acquire, which is one of the reasons why now may be an advantageous time for exiting dealers. Importantly, though, buyers must be chosen wisely.

Different kinds of dealerships need different kinds of buyers. A qualified buyer is one who is likely to be approved by your dealership's OEM, is familiar with your local market and has experience running a dealership of similar size and scale. It's for this reason that it's so important to select a buy-sell partner with a large network of potential acquirers.

A partner with a robust array of active candidates has a large pool to draw from when matching you as a seller with a buyer who will provide the right fit for your specific circumstances. As one of North America's leading dealership mergers and acquisitions partners, DSMA has strong relationships with a wide array of diverse potential buyers.

• **Industry-leading business valuations:** As a dealer preparing for an exit, the importance of an accurate valuation cannot be overstated. A dealership's valuation is one of the most influential factors in attracting the right buyer candidates for your business.

A business assessed too high above market rate will struggle to attract buyers, leading to a longer time on market, leading in turn to increased hesitancy among potential buyers. Meanwhile, a business assessed too low will reduce the returns seen by the exiting dealer.

DSMA is an industry leader in producing truly accurate business valuations that achieve equilibrium between buy-side and sell-side. As a dealer, this means attracting the right candidates and facilitating a swift, smooth transfer.

• **Full-service capabilities:** Mergers and acquisitions require a diverse range of specialties. From legal experts to financial advisors, marketing consultants and more, many experts are required to ensure an efficient and successful transaction. DSMA's 360-degree team includes legal experts, financial advisors, transaction managers, a marketing team and more to provide dealers with a single trusted partner invested in their success.

It starts with our team of "matchmakers," who do the heavy lifting for you to identify targeted, relevant and qualified buyers to successfully take over your business. From there, DSMA handles every step of the process — from due diligence to OEM approval and more.

DSMA knows that by working with a single partner, dealers drastically reduce privacy risks. That is why the firm combines multiple specialties in-house to ensure discretion and confidentiality.

"As a dealer eyeing an exit, timing is a consideration, but timing isn't everything," said Rafael. "Any set of market conditions come with their own pros and cons. When it comes to making the most successful and profitable exit possible, the most influential factor will always be the partner you choose to be your advocate in navigating those market conditions."

With nearly 500 transactions completed, DSMA is the automotive industry's leading mergers and acquisitions firm. From the initial valuation to closing the deal, DSMA provides complete, end-to-end service, simplifying the process and ensuring dealers can make a seamless and profitable exit.

With the right partner by your side, you'll be in the best possible position to make the most profitable exit possible under the market conditions surrounding you. If you're a dealer considering whether now could be the right time for you to make a move, **you can contact local trusted mergers and acquisition advisors in your market by visiting www.dsma.com.**



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EXPERT ADVICE FOR **SUCCESSFUL DEALERSHIP SALES**

For many dealers, figuring out whether or not to sell their dealerships is one of the most important decisions they'll ever make. What factors should they consider? Is it still a good time to sell? And what value does an adviser bring to the table?

Here Farid Ahmad, the Founder and Chief Executive Officer of DSMA – an automotive intelligence and mergers and acquisitions advisory service with more than 1,000 years of combined industry experience – brings clarity to this complex process. DSMA has performed more than 1,900 valuations and completed more than 450 transactions in North America.

Q: How should a dealer prepare a dealership for a sale in 2024 in order to appeal to more buyers and maximize the value of the dealership?

Farid Ahmad: There are several crucial steps that every seller must undertake to not only facilitate the sale of their dealership, but to also sell it for top dollar:

• Ensure all financial statements are up to date and accurate. Focus on refining the balance sheet to present a clear picture of assets and liabilities. This entails a thorough review of accounts receivable, payables, contracts in transit and factory warranties, including the assessment of their age and status.

• Clean up the used-vehicle inventory by removing any units that have been in stock for more than 90 days. Conduct a comprehensive inspection of remaining inventory to ensure frontline standards are met.

• Facilitate dealer trades to eliminate aged new-vehicle inventory so your remaining stock reflects current model years.

• Conduct a comprehensive site inspection with a discerning eye. Attend to any maintenance needs promptly so you can present the



dealership in its best light.

Q: What should a dealer look for in hiring a sales adviser?

Ahmad: I would recommend that dealers seek an advisor with:

• A demonstrated history of successfully navigating dealership transactions, showcasing expertise and proficiency in the intricacies of the industry.

• High ethical standards, which ensures integrity and transparency throughout the sales process.

• A broad and influential network within the automotive industry, which facilitates access to the best and most buyers.

• Strong evidence of past successes, which indicates the adviser's ability to deliver favorable outcomes for clients.

• Glowing testimonials from previous clients, which reflect their ability to deliver exceptional service and results.

• A selling approach that aligns with your preferences and comfort level, which fosters a collaborative and productive working relationship.

• The expertise to accurately valuate your dealership, which helps ensure a maximum return.

Q: Let's say a dealer decided to sell in February. Now it's August. What red flags or warning signals should make that dealer reconsider a sale in 2024?

Ahmad: After all the preliminary steps outlined earlier have been diligently addressed, the dealer must assess several critical factors to determine the viability of proceeding with the sale in 2024. These considerations include evaluating the market demand for their franchise, the effectiveness of their marketing strategies and the potential impact of seasonal disruptions such as Thanksgiving and Christmas. Failure to secure a deal by these pivotal dates could make the dealership seem overpriced.

Q: If you're considering a sale today, does it really pay to wait until next year or even the year after?

Ahmad: The decision to defer a sale until the upcoming years hinges on three pivotal factors: the state of the economy, the desirability of one's brand and the seller's preparedness to enter the market. Predicting market trends entails a degree of uncertainty and informed decisions must be made based on available information. Presently, the United States market is robust, but could be influenced by the ongoing election cycle. Yet, the post-election landscape and subsequent policy shifts may

> “Our valuations align closely with the true value of a dealership, often within a margin of two to three percent.”



introduce new dynamics. Provided the preliminary steps outlined earlier have been diligently executed, including the selection of the right adviser, and your brand is doing well, it is always a good time to sell, regardless of the temporal context.

Q: If you are a dealer in a rural area, a single-store dealership or a family-owned dealership with no obvious succession plan, does it make sense to even wait for a better buy-sell market, or should you just sell this year?

Ahmad: The decision regarding the optimal time to sell is contingent upon various personal considerations. Factors such as the seller’s health, age, the tenure of dedicated employees and overall satisfaction with the business play integral roles in determining whether it’s appropriate to wait for a more favorable buy-sell market. It is essential to recognize that personal fulfillment and well-being should be prioritized alongside financial considerations. To date, I have never seen a Brinks truck following a hearse!

Q: Given all the deals that DSMA has closed over the years, in good times and bad, what are some of the lessons learned or best practices discovered that might help a dealer who is looking to sell?

Ahmad: During the past 10 years, we have gained valuable insights that can guide dealers who want to sell their business. These include the importance of meticulous upfront preparation before bringing a dealership to market. We recognize the necessity of qualifying potential buyers to ensure they have their finances in place. We have learned not to take a listing when the seller is asking for an unreasonable price that we have confirmed is far from its market value.

Our valuations align closely with the true value of a dealership, often within a margin of two to three percent. Furthermore, we have come to appreciate the multifaceted nature of the selling process, which requires a well-rounded team equipped with diverse skill sets.

Q: The word “uncertainty” is often used to describe 2024. How can a dealer get past this uncertainty?

Ahmad: Uncertainty is a great word to describe the current market situation. In the face of potential interest rate fluctuations throughout the year, selling your dealership this year may be the best decision. I would say that one statement has always stood the test of time, regardless of the market: “If you could have, you would have.” Some sellers want to wait until their dealership is firing on all eight cylinders because they feel the store has potential. But some dealers have a hard time grasping that in order to capitalize on the potential of an underperforming store, it takes risk, financial investments, hard work and technological advancements that they may not possess.



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ADVANTAGES AND CHALLENGES OF **OPERATING RURAL DEALERSHIPS**

We engaged in a discussion with Kyle Chase, Vice President of the Prairies and Partner at DSMA, to gain a comprehensive understanding of the current state of rural dealerships. Kyle shared valuable insights on the unique advantages and opportunities these dealerships offer. From strong community ties to less competition and lower operating costs, there are numerous compelling reasons to consider investing in rural stores.

1. What are the key advantages of purchasing a rural dealership, and how does it compare to other types of businesses in terms of stability and long-term growth potential?

A rural location offers several geographic advantages that can significantly enhance business operations and profitability for a dealership. One of the most notable benefits is the potential for brand monopoly. In a rural setting, the absence of nearby competitors allows you to capture and dominate the market share within your specific area. This exclusivity positions your dealership as the primary, and often sole provider of automotive services and products, ensuring a steady stream of customers who rely on you for their needs.

Additionally, the rural environment fosters stronger community ties. As you build relationships with local residents, your dealership becomes the trusted go-to destination for everyone in the community. This trust and loyalty translate into repeat business and positive word-of-mouth referrals, further solidifying your market position.

The reduced competition and robust community connections lead to uninterrupted success and enhanced visibility for your dealership. The unique geographic advantages of a rural location enable you to establish a prominent presence, ensuring that your business remains top-of-mind for local consumers. This not only drives consistent sales but also contributes to long-term profitability and growth.

2. How does the rural setting of a dealership influence customer demographics, purchasing behaviors, and overall market demand for products and services? What strategies can be implemented to effectively capitalize on these factors?

Rural locations offer a family-friendly atmosphere and the opportunity to establish deep roots in the community. This

setting attracts clients from urban areas who appreciate the trusting, friendly, and detail-oriented environment of a rural dealership. Without the hustle and bustle of competitive urban stores, customers can take their time to shop and address their needs thoroughly.

Customer preferences in rural areas tend to differ from those in urban settings. While there is often less demand for sports models, there is typically a higher demand for SUVs, which are more suited to rural lifestyles and practical needs. This demand shift presents an opportunity for rural dealerships to focus on stocking and promoting larger vehicles that cater to their clientele's preferences.

> **"Rural locations offer a family-friendly atmosphere and the opportunity to establish deep roots in the community. This setting attracts clients from urban areas who appreciate the trusting, friendly, and detail-oriented environment of a rural dealership."**

While the demand for EVs may be lower in rural areas due to concerns about charging infrastructure and long-haul capabilities, rural dealerships can still thrive. Strong community ties foster customer loyalty and lead to repeat business, offsetting potential disadvantages. Additionally, staying informed about technological advancements and aligning with OEM strategies can help manage inventory challenges and meet evolving demands.

Overall, the positive relationships and trust built in rural communities contribute to long-term sales success and customer satisfaction. Effective strategies include personalized customer service, community engagement, and proactive adaptation to industry trends.

3. In terms of infrastructure and logistics, what are the advantages and disadvantages of operating a dealership in a rural area, considering transportation, supply chain management, and access to utilities and services?

Operating a dealership in a rural area offers distinct advantages, particularly in terms of employee retention and loyalty. While it may be more challenging to fill specialized positions, such as





those for mechanics with specific skills, once these positions are filled, employees tend to remain long-term. In rural areas, staff are less likely to be poached by competitors, leading to a stable and loyal workforce.

Although transportation and supply chain logistics can incur higher costs due to greater distances from urban hubs, these costs are manageable and do not impede the dealership's operations. Accepting slightly higher delivery fees is a minor trade-off for the ability to dominate a larger market share with less competition.

Overall, the benefits of employee stability and market dominance in rural areas outweigh the logistical challenges, making rural dealerships a valuable and strategic business opportunity.

4. Considering broader economic trends and market fluctuations, why is now the right time to sell?

There are several compelling reasons for rural dealership owners to consider selling at this time. Many dealers may face the prospect of costly store image renewals, with grace periods nearing their end, or lack a robust succession plan. Additionally, detaching from strong community ties can be emotionally challenging, as these dealers have often become integral parts of their communities throughout their careers.

However, current market conditions present a unique opportunity. Gross revenues for dealerships have reached all-time highs in recent years. With rising interest rates, now is an optimal time to realize substantial profits and capitalize on the value of the dealership.

Moreover, while multiples in major metropolitan markets differ from those in rural areas, there is a significant advantage for buyers in rural markets due to the lower cost of Goodwill and real estate. Rural stores often come with more affordable land and building costs, making them attractive investments. For those looking for a valuable deal, rural dealerships offer a unique opportunity to stand out and become a vital part of the local community.

At DSMA, we have a selection of rural dealerships that would interest potential investors. If you are looking to explore these opportunities, we encourage you to reach out to us for more information and to find the perfect fit for your investment goals.



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SELLING A DEALERSHIP **IN THE USA SOUTHEAST:**

5 FACTORS FOR DEALER PRINCIPALS TO CONSIDER IN THIS HOT SELLER'S MARKET

As a Dealer Principal, you cannot trust just anyone with your legacy when it comes time to pass on the torch. But the idea of finding the right successor to assume responsibility for a business you've likely spent much of your life building can leave even the most seasoned Dealer Principal feeling overwhelmed.

For dealers in many southeastern states, successorship can feel particularly challenging — and it's not for lack of demand. In fact, for dealers considering an exit strategy in the U.S. Southeast, the challenge is in fact a buy-sell market that is flooded with hopeful buyers.

Opportunities and challenges coexist in the Southeast seller's market

On the surface, the hot demand for dealerships in the Southeast might not seem like much of an issue for a local Dealer Principals considering selling. It's certainly true that, for current dealer principals operating in the Southeast, the opportunities right now are ripe.

But it's a double-edged sword. While market conditions are certainly favorable right now for would-be dealership sellers of the area, the stiff competition for acquisition opportunities means current dealers must navigate a sea of hungry buyers — not all of whom may always be the right fit for the business in question.

It's for this reason that the importance of working with an experienced partner to be your advocate throughout the buy-sell process cannot be overstated. Trusted by clients across the Southeast and across the world, DSMA has a proven track record of facilitating swift, smooth, and successful exits for dealers ready to sell.



How to choose a partner when selling your dealership

Choosing a buy-sell partner is no small decision for a dealer. When it comes to something as important as finding a caretaker for their life's work, dealers have many factors to consider. Here are five qualities dealers ready for a change — particularly those in the U.S. Southeast — should look for when selecting a broker to help them pass on their business.

1. Experienced in your market

When it comes to selling a dealership, no two markets are alike. What works in the Northwest will not necessarily be successful in the Southeast. This is why DSMA maintains an active local presence in all the markets we serve — including the Southeast.

> "A dealership may be a business, but it's so much more than that. It's a legacy, and the product of a lifetime of work and dedication."

As a DSMA client, working with the firm grants you access to a team that has both global knowledge and local expertise. With associates specializing in individual states across the Southeast, DSMA possesses the unique market knowledge needed to help you succeed.

Dealers who choose DSMA work with dedicated partners local to them — meaning they receive a personal, engaged advisor who meets with them in person to discuss their needs firsthand.

2. Aligned with your priorities

A dealership may be a business, but it's so much more than that. It's a legacy, and the product of a lifetime of work and dedication. It's a livelihood for a team of employees. It's a valued community presence.

> **“The buy-sell process shouldn’t be a faceless transaction. It should be a personal, positive experience for everyone — including you as the seller.”**

When evaluating potential buy-sell brokers as a dealer, it’s important to look for a partner that possesses an appreciation for all the intangible values your business represents.

At DSMA, nothing matters more to us than earning the confidence of the dealers who trust us. From the start, our focus is on learning your vision and priorities — whatever they may be — to identify the right strategy for achieving your specific goals.

3. Informed by data

Trying to sell a car without strong market data would never be a good idea, and the same goes for selling your dealership. With over 1,900 valuations completed and more than 450 deals closed, DSMA has a wealth of historical data to ensure every decision made throughout your process is an informed one.

A crucial first step comes in conducting a meticulous business valuation to optimally position your listing in the market and attract the highest-potential buyers. DSMA employs a specialized approach, leveraging the Blue-Sky method to evaluate not only tangible assets but also intangible factors to ensure each valuation captures the true essence of a dealership’s worth.

What’s more, DSMA’s proprietary QUOTUS™ platform transforms monthly OEM financial statements into actionable business insights, bringing advanced business intelligence to dealership groups of all sizes. With QUOTUS™, more knowledge means more power in your hands to make the best decision for your specific situation.

4. Invested in the relationship

As a dealer, you’ve built your business on personal service, and when it comes time for your dealership’s next chapter, you deserve that same level of personal commitment.

Many dealers — even those who don’t expect it — find that passing on their dealership to a new owner can be an unexpectedly emotional process. It’s more than understandable. For many dealers, their dealerships are reflections of themselves.

The buy-sell process shouldn’t be a faceless transaction. It should be a personal, positive experience for everyone — including you as the seller, and that’s a commitment our DSMA team takes to heart.

5. Engaged throughout the process

From marketing specialization, to financial expertise, to OEM approvals and more, selling a dealership can be a complex process. Often, it can involve many parties before a deal is signed.

Many buy-sell brokers offer piecemeal capabilities, outsourcing the rest to countless third-party players. As a dealer, though, this approach can make the process needlessly complicated. To ensure dealers have an easy, stress-free experience, DSMA combines end-to-end capabilities, so clients have a single point of contact throughout the entire process.

As a dealer, you deserve to be in the know about your dealership’s status throughout every step of the buy-sell process. It’s for this reason that open, engaged and continuous communication is standard practice for DSMA when working with dealers. From the initial cup of coffee all the way to the closing table, DSMA is with you every step of the journey.

A bright future for you and your dealership

The decision to sell your dealership is a major one. It’s for this reason that, should selling be your decision, we at DSMA want to help you do it with confidence. Particularly for dealers living in the U.S. Southeast, the current market trends are making this a favorable time to consider listing, for those who are exploring their options.

DSMA has an extensive network of active buyers looking to acquire dealerships and dealership groups across the Southeast. Dealers in the Southeast who are interested in learning more about the buy-sell process are invited to contact DSMA for an introductory call by visiting www.dsma.com.



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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 1,900 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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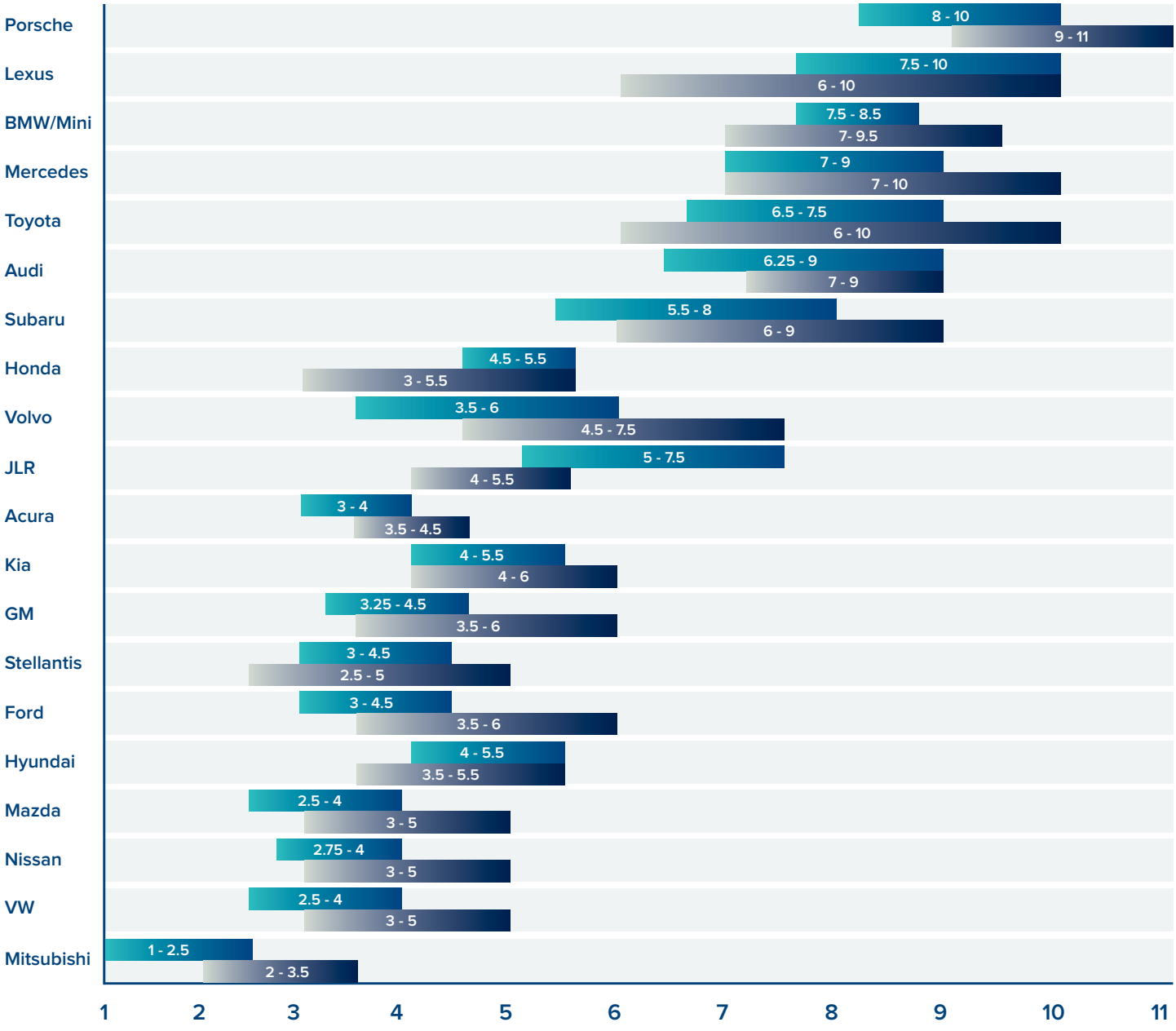
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Coloured bars represent the current minimum and maximum goodwill ranges. Blue Gradient represents U.S. Multiples.
Grey gradient represents Canadian Multiples.
All DSMA valuation and goodwill data is based on normalized financial data to ensure comparisons are valid from brand-to-brand.
*Multiples may vary in range.



OPEN POINT AND DEALER **PROFILE PACKAGES:**

WHAT THEY ARE AND WHEN YOU NEED ONE

Buying a dealership is a significant decision, one that involves careful consideration of various factors and adherence to specific processes set by automobile manufacturers. Whether they are acquiring an existing dealership or securing an open point opportunity, prospective buyers must navigate through a series of steps to gain approval from the OEM. In this article, we will delve into the two primary ways of acquiring a dealership and explore the crucial documents known as Dealer Profile Packages (DPP) and Open Point Packages (OPP).

1. The first scenario in dealership acquisition involves purchasing an existing dealership from its current owner or ownership group. In this situation, the buyer is buying or leasing the real estate and acquires all assets of the dealership, inventory, and retains the existing staff. However, the decision on approving the new owner rests with the brand's OEM. Indeed, prospective buyers must submit comprehensive business plans and financial projections as part of their application, and a comprehensive Dealer Profile Package (DPP) serves to bolster the odds of being approved by the OEM. These packages provide detailed insights into the buyer's plans for operating and growing the dealership under the brand's banner.

In addition to acquiring existing dealerships, Dealer Profile Packages (DPPs) are crucial for securing a smooth succession in family-owned dealerships. While it may be assumed that kin of the previous owner would seamlessly take over, OEM approval is not guaranteed. Therefore, presenting a comprehensive DPP outlining the successor's qualifications, long-term vision and aspirations, business plan, and commitment to the brand is essential to obtain OEM approval. This strategic approach ensures the OEM that the dealership's legacy continues seamlessly under the new ownership, maintaining both brand success and customer satisfaction. By leveraging their DPP, prospective buyers can navigate the process with confidence and increase their chances of OEM approval for their dealership acquisition goal.

2. The second scenario, known as an "open point" dealership opportunity, arises when the OEM seeks to establish a new franchised dealership in a specific geographical area. Typically, this area will be experiencing population growth and will be home to a significant number of brand-loyal customers. In the open point



purchase scenario, the OEM notifies existing dealerships of its intentions and opens applications to prospective buyers so they can apply for franchise approval in the proposed location. Another scenario is when a potential buyer identifies an opportunity for a franchised dealership in an area and would like to present it for consideration by the OEM. Unlike purchasing an existing dealership, the winning candidate of an open point opportunity does not need to pay for multiple years of projected profits. Consequently, the price of acquiring an "open point" dealership is usually lower than that of an established dealership. However, a new dealership comes with its own associated costs such as construction, inventory, imaging, hiring and more.

In the highly competitive landscape of open point opportunities, applicants must distinguish themselves from other potential dealers and dealer groups applying for the same opportunity. While owning another dealership of the same franchise could be advantageous, it is not a prerequisite for consideration. Manufacturers award open points based on their assessment of the candidate's qualifications, including their financial resources, operational expertise, potential performance in the market, and more. When submitting an Open Point Package (OPP) to the OEM, buyers must differentiate themselves from other prospective candidates, and demonstrate a track record of success, and their capability to open and operate the dealership successfully. This includes providing evidence of meeting working capital requirements and adhering to specific criteria



outlined by the manufacturer, such as real estate and facility size. Moreover, finding and securing a suitable property for the dealership can be a complex process, often requiring approval from local government authorities, adding further complexity and time to the acquisition process.

The key to success in either scenario lies in the preparation and presentation of a compelling business case to the brand's OEM. This is where Dealer Profile Packages (DPPs) and Open Point Packages (OPPs) come into play. In both cases, the quality and persuasiveness of these packages can significantly impact the likelihood of approval from the OEM. That's where DSMA steps in. DSMA specializes in helping buyers navigate the complexities of dealership acquisitions and securing approvals from brand OEMs.

DSMA's Application Assistance Package offers invaluable support for prospective buyers looking to acquire an existing dealership. With this package, DSMA takes the lead in compiling and submitting the OEM's application package, ensuring all necessary documentation and information are meticulously prepared and presented.

With top-of-the-line Dealer Profile Packages (DPP) and Open Point Packages (OPP), DSMA ensures that buyers present compelling cases that resonate with OEMs, ultimately facilitating successful dealership acquisitions. Whether buying an existing dealership or seizing an open point opportunity, DSMA equips buyers with the tools and expertise needed to navigate the process with confidence and achieve their goals within the automotive industry.



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DSMA QUÉBEC: **100 TRANSACTIONS SIGNED FROM THE HEART**

Ten years ago, the Quebec team could be counted on the fingers of one hand. Today, based in the old port of Montreal, 13 members vigorously dedicated to French-speaking customers facilitate the intricate machinery involved in M&A transactions. With sales, finance, marketing, legal and operational expertise to name but a few, the team covers the full range of needs that such a business deal requires and contributes to the enduring success of mergers and acquisitions in the beautiful province of Quebec. Our team is committed to your success.

AutoCap started out in 2014, under the leadership of Maxime and Normand Théorêt, thus sketching the first outlines of DSMA's upcoming Quebec team. A pioneering M&A professional services company doing business strictly in Quebec, AutoCap was built through the special relationship between a father and son, within a passionate and already established family in the automotive industry. Normand, with 35 years' experience in a major Montreal automotive group, and Maxime, with his experience in due diligence, accounting and mergers & acquisitions, had a forward-thinking vision of a company with values centered on authenticity, trust, and a tailored approach for each client. A holistic strategy with an intrinsic family flavour, based on local know-how and expertise, where human relations, integrity and fairness were the watchwords, leaving no room for pretense.

It was in this welcoming environment, and convinced by Normand and Maxime's genuine benevolence, that François McDonald, already a well-known figure in the industry, joined them. François already had an excellent network of contacts, built up over the years thanks to his mastery of the market and his reliability. "I matched Max and Normand in every way, and joining their project seemed like a no-brainer. They wanted me to bring new perspectives to the company," explains François.

The first turning point came in 2015, when AutoCap merged with Dealer Solutions - also a family-fueled company - to become Dealer Solutions Mergers and Acquisitions, now well-known by its acronym DSMA. This perfect union was established to respond and adapt to the fluctuating activities of the mergers and acquisitions sector: Canadian - and even American - groups were shaking up the traditional market



landscape by showing increasing interest in Quebec opportunities. For instance, AutoCanada, which acquired its first branch of the Mazda banner with the purchase of Planète Mazda in 2017, thus became the first public company to buy a dealership. Partner in charge of this agreement, which marked a turning point in the industry's transactional exchanges, François McDonald, remained true to his fundamental principles, the inflexible pillars behind the unshakeable trust of his customers. DSMA Quebec's exemplary professionalism, exceptional market knowledge and fair yet realistic ambitions not only continued to prove their effectiveness but have also helped set a record in the Quebec M&A sector. The team's strength also layed in their reputation with Quebec dealers: widely recognized, they enjoyed maintaining close relationships with their customers, working methodically through a rigorous process and presenting proposals based on studied and analyzed values - a non-intrusive approach, which to date has paid off, helping the firm unlock its success meter.

The team's first transaction, that of Mazda Val-David in 2016, whose new buyer - a former Kia dealer - was looking for another dealership in the Laurentians, marked the beginning of a series of successes and launched the propensity for loyalty which is typical of DSMA customers. Highly satisfied with François' services, the buyer would call on the firm again to sell the dealership in 2021, adding to the long list of customers entrusting the company. With time, word of mouth, individual recommendations and numerous testimonials gradually led to DSMA's undisputed reputation.

DSMA's second decisive and strategic turning point came in mid-2017 with the arrival of Manon Messier, who would work alongside François. Preceded by an unrivalled reputation for customer service, with a background in the banking industry and equipped with an extensive network of contacts, Manon's introduction enabled DSMA to broaden its field of

vision and push the boundaries of its ambitions in Quebec. As the daughter of a former dealer, she already knew the issues and workings of the automotive industry inside out and was keen to help owners overcome difficult times and achieve the best for their future. Manon considers it an immense privilege to accompany individuals at key, intimate moments in their lives. For her, every transaction is a unique experience, going far beyond the purely professional. She recalls one mandate in particular, which she certainly describes as her greatest success: that of Groupe Audi Porsche Québec, for which she orchestrated the sale. This contract, a true symbol of Canadian diversity, was concluded in a bilingual context, crossing the borders of Ontario and Quebec. The buyer, an English-speaking native of Ontario, even chose to settle in Quebec to carry out his newly acquired dealerships and took the initiative to learn French and fully integrate into Quebec culture. Manon believes she witnessed those famous “key moments” in life, which initially motivated her involvement in the M&A sector.

One success follows another, but the challenges remain throughout the years and the transactions. As Maxime Théorêt points out: “Despite its impressive track record, DSMA has not been spared by the challenges that every company faces in its early days. The most difficult task was to make a name for ourselves: the company, the scope of our services, our means of proceeding, to name only a few. But it wasn’t long before DSMA was able to partner with the CCAQ (Corporation des concessionnaires automobiles du Québec) and establish itself in the province, supporting and actively participating in the Quebec dealer community. COVID-19 has also had a considerable impact on the industry, profoundly reshaping the car dealership landscape and forcing DSMA to reorganize and adapt to demand.”

As for Manon Messier, she points out the importance of staying focused on the goal of the transaction. Satisfaction across the board remains her top priority, and the goal of getting the best for both buyer and seller parties adds to the complexity of a successful deal. Subject to the vagaries of relationships, her personal commitment can also be undermined. ‘’My biggest disappointment was trusting someone who didn’t deserve it,” she explains. ‘’I put my heart into every transaction, at the risk of disappointment. However, I wouldn’t be where I am today without that quality, and I’m convinced that without it, my customers wouldn’t have followed me all the way.”

At the beginning of 2024, DSMA’s Quebec team signed its hundredth transaction with the sale of Windsor Garage, becoming the first M&A firm in the province to reach this memorable milestone. These hundred deals are distinguished by a strictly rigorous implementation process, by the quality of the buyers and sellers involved, as well as by the close ties DSMA has developed with certain brands - GM in particular, to name but one - and by all the steps involved in bringing the transactions to a successful conclusion. DSMA’s successes would not be possible without the specialized skills of each individual and their ambitious and well-thought-out initiatives, based on an excellent understanding of the market and the assurance of carefully considered assessments and decisions.

“I put my heart into every transaction, at the risk of disappointment. However, I wouldn’t be where I am today without that quality, and I’m convinced that without it, my customers wouldn’t have followed me all the way.”



Manon Messier with Maxime Théorêt



Francois McDonald with Gracielle Sills



Manon Messier with Mélissa Samatas

In its ten-year track, DSMA has witnessed numerous evolutions, unexpected turns, and sometimes even small swerves. One thing remains unchanged: dealerships will never be accessible to the general public. As for the profile of salespeople, it has evolved. Single-dealership owners are gradually withdrawing, while groups are becoming commonplace, adopting expansion strategies throughout Quebec. Groups from outside Quebec remain the exception, however, due to the language barrier and both cultural and political differences. DSMA has also had the good fortune to be both witness to and player in the growing presence of women in the automotive sector. The firm also boasts some symbolic figures: Manon Messier was the second woman in Canada to hold the position of Automotive Account Manager for Scotiabank in 2010, and Mélissa Samatas was the first female member of Honda Québec's Advertising Council, and the first female Chair of Honda's Dealer Council in Canada. Today, DSMA Québec is predominantly female, with 8 women among its 13-member team.

Gracielle, who comes from the banking world in Montreal, brings experience and a network, two essential elements of a partner's job, as well as an in-depth knowledge of the complex structures that can be encountered. Mélissa, a former DSMA client who is now a full-fledged member of the team, offers the perspective of a former DSMA Québec dealer and a detailed understanding of the personal issues involved in a transaction.

Despite a well-stocked toolbox, the firm has no intention of resting on its laurels. Gracielle Sills and Mélissa Samatas joined the team within a few months of each other and are already ready to take over for François and Manon in due course.

The aim is to remain number one in the market, maintain a strong presence in the Quebec dealer network, and preserve the reputation for reliability that the company has built up over the years. QUOTUS™, an innovative platform created by Maxime Théorêt and dedicated to financial planning and analysis, will also support DSMA's efforts and help it maintain the accuracy of its valuations, its credibility, and its unquestionable level of quality.

A trusted name in the automotive and M&A industries, the team is driven by success, authenticity, and the rightness of its proposals. Each transaction is a personal challenge, taken to heart and treated with the utmost care and respect. Every buyer and seller, whether alone or in a group, French or English-speaking, is a highly valued customer, listened to and treated with the attention they deserve.

Because at DSMA Québec, every transaction is signed from the heart.



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