

FALL NEWSLETTER

SEPTEMBER 2024

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DSMA'S **MARKETING TEAM**

Dear Readers,

As the leaves will soon begin to turn and the air becomes crisp, we are excited to bring you our Fall newsletter, filled with valuable insights and updates from the dynamic world of automotive mergers and acquisitions.

This season at DSMA, our team has been deeply involved in numerous projects, from divestitures to strategic realignments, showcasing our expertise in helping businesses navigate these complex transitions. As always, our focus remains on delivering results that align with our clients' long-term goals.

In this edition, we dive into several topics, including a detailed exploration of the current challenges in acquiring dealerships in North America. With the market becoming increasingly competitive, our experts offer critical advice to both seasoned and first-time buyers on navigating this intricate process. We currently have over 100 opportunities for acquisition in North America and the UK! We hope you check them out.

At DSMA, we are proud to boast a 97% approval rate with manufacturer approvals! We provide examples of this in "A Dream in the Making," where DSMA played a pivotal role in turning aspirations of owning dealerships into reality with our Central/West team.

Our team continues to stay at the forefront of industry trends, and in this issue, we discuss the impact of artificial intelligence and machine learning on improving operational efficiency in dealerships. As technology evolves, we are committed to helping our clients leverage these advancements to drive transformation in their businesses. We introduce QUOTUS, a financial intelligence platform for automotive retail groups and partner company of DSMA.

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

AND finally, we very excited to launch DSMA's very first podcast. Coming very soon.

We sincerely appreciate your continued trust in DSMA. As we move forward, we are dedicated to supporting you through every phase of your business journey. Please feel free to reach out to us with any questions or needs—our team is here to help you navigate the ever-evolving automotive industry.

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Sincerely,



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NAVIGATING DIVESTITURES AND **STRATEGIC REALIGNMENT**

DYNAMICS OF AUTOMOTIVE DEALERSHIP MERGERS AND ACQUISITIONS IN CANADA

In the world of automotive dealership mergers and acquisitions (M&A), Canada stands as a dynamic arena characterized by constant evolution. What once were informal, handshake deals among local dealers have transformed into a highly sophisticated process shaped by strategic realignment, economic pressures, and rapid technological advancements.

According to DSMA's Vice President of Canada, John Chisholm, "The market now emphasizes strategic acquisitions that not only expand market reach but also consolidate operational efficiencies." John's insights provide an update on the current landscape of the Canadian market, particularly highlighting the trends in divestitures and strategic realignments that are reshaping the industry. His perspective underscores the pivotal role these dynamics play in shaping the future of automotive dealerships across the country.

Factors Driving Divestitures: Realignment and Strategic Growth

John highlighted several elements driving divestitures in the Canadian M&A market today, notably realignment. He emphasized that realignment has become integral to DSMA's operations, driven by strategic decisions across dealership groups of varying sizes.

Realignment trends trace back to the 1980s, John explained, when larger metropolitan dealerships recognized smaller dealerships' competitive advantages. "They saw that smaller stores were thriving in their market presence," he noted. "The mentality was straightforward: 'Why don't I just go buy them?' So they started acquiring rural and mid-market stores."

As they expanded, these groups faced escalating operational responsibilities and resource



demands. This led to periodic evaluations of their portfolio's efficacy. John detailed the process: "Every year, from the smallest to the largest dealership groups, they lay their financial templates across internal metrics and ask, 'Is this sustainable?'" Assessment helps dealers decide whether to retain or divest locations.

Consolidating operations enables groups to capitalize on economies of scale, increase sales volumes, and attract top-tier talent. John underscored this strategic shift's impact on market dynamics, saying, "Leveraging our scale allows for greater impact, increased volume, and the ability to recruit and retain top talent."

Such realignment is a significant factor, and its dynamics differ from those of the usual drivers of divestitures, retirement and succession planning. According to John, "retirement is still a very big part of our business," accounting for approximately 49 percent of divesting transactions.

In many cases, dealership owners plan to pass the business on to the next generation. However, unforeseen circumstances can disrupt these plans. Changing regulations are also a constant factor in the automotive industry, but according to John, they are not a primary catalyst for transitions out of the business.

Impact of COVID-19 on Dealerships

The COVID-19 pandemic has also shaped the current landscape of dealership divestitures. Initially seen as a challenging time, the pandemic unexpectedly became a boon for many dealerships, characterized by a surge in business and profitability.

John acknowledged the role of dealership management in navigating this period, saying, "Car dealers, known for their confidence, often attribute their success to masterful business management." However, he emphasized the complexity of the situation, noting that external factors played a substantial role in the industry's resilience.

DSMA was among the first M&A firms in North America to adjust valuations to account for the pandemic's effects. Those reliant on volume sales or commercial

“This financial windfall has significantly influenced dealers’ decision-making, particularly among older dealers. “Many are reluctant to relinquish these gains,” John said, “preferring to secure their balance sheets rather than face potential future uncertainties.”

fleets faced challenges like canceled orders, but for most single and small to medium-sized dealership groups, the pandemic years represented unprecedented profitability.

This financial windfall has significantly influenced dealers’ decision-making, particularly among older dealers. “Many are reluctant to relinquish these gains,” John said, “preferring to secure their balance sheets rather than face potential future uncertainties.”

With the average age of Canadian car dealers hovering around 71, many are contemplating whether to reinvest in costly upgrades such as renovations or electric vehicle infrastructure or to capitalize on current profitability and consider retirement.

Dealer Relations: Realigning Priorities to Find the Right Fit

John highlighted another factor influencing market activity: the misalignment of priorities between dealers and Original Equipment Manufacturers (OEMs). This discord, as he explains, arises from differing visions and strategies for the future of the business.

“Some brands have dealers who are not in agreement with their plans forward,” John pointed out. This divergence reflects not dissatisfaction per se, but rather distinct priorities and approaches between OEMs and their dealership networks. In an industry still heavily reliant on personal interactions, John emphasized, “It’s still a nose-to-nose, belly-to-belly retail business for the most part,” highlighting the enduring importance of direct, personal engagement.

“A strong organizational culture is crucial in fostering a positive customer experience and enhancing employee morale, which ultimately drives dealership success,” he said.

For dealers weighing their future in the industry, alignment with their OEM’s vision plays a crucial role. Those finding themselves at odds with their manufacturer’s strategy may opt for divestiture, allowing them to distance from strategies they do not fully endorse and potentially realign with opportunities better suited to their business philosophies.

Future Trends and Global Outlook

Looking ahead, John anticipates that artificial intelligence (AI) will revolutionize dealership operations, particularly in lead generation and finance & insurance (F&I) departments. He envisions AI enhancing customer engagement, streamlining business processes, and optimizing operational efficiencies.

He explained, “AI’s integration into dealership operations will redefine how we interact with customers and manage internal processes, setting new standards for efficiency and customer satisfaction.”

John noted that M&A has always been a fundamental aspect of the industry, though its methods have evolved significantly over time. Historically, many deals were made informally, based on personal relationships and handshakes. But as businesses matured, the need for maximizing assets became more acute. Dealers started seeking professional services to evaluate and market their dealerships.

This shift brought about a more structured approach, with companies like DSMA playing a crucial role in the process. “People say, ‘I’ll go to DSMA and I’ll ask them to market my dealership. I’ll do a valuation. Let’s find out what it’s worth because they have the data and the intelligence,’” John explained. The professional



expertise provided by a company like DSMA allows dealers to explore the true market value of their assets and make informed decisions.

John emphasized the importance of exploring multiple buyers to ensure that the asset's worth is maximized. "I think that's the responsible thing to do for you and your family," he asserts. While selling to a friend might be easier and more convenient, it might not be financially prudent if it means leaving a significant amount of money on the table. This mindset has driven the evolution of the M&A world, ensuring that dealers receive the best possible outcomes for their transactions.

Looking forward, John believes that consolidation within the industry will continue, with large groups potentially splintering off in the future. "There will be a point in time where perhaps large groups will start to splinter off because maybe it's time to take it off the market publicly," he said. This cyclical nature of the M&A market will see periods of consolidation followed by phases of divestiture and realignment.

John also predicts increased international interest in the Canadian market, citing its safe business environment and attractive living conditions. "We have inquiries come in from all around the globe," he noted, indicating a growing trend of international dealers looking to establish or expand their presence in Canada.



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DSMA'S EXPERTISE SHINES IN AUTOMOTIVE MERGERS AND ACQUISITIONS: **HANDLING COMPLEXITY WITH PRECISION AND DUE DILIGENCE**

In the intricate world of automotive mergers and acquisitions (M&A), DSMA has carved out a niche as a trusted advisor and facilitator, with due diligence as the cornerstone of their process. Specializing in assisting auto dealerships through the complex process of buying and selling, DSMA's approach goes beyond mere transactional support. Led by a seasoned professional, Wendy Durward, Director of Acquisitions, with support from Corporate Paralegal Jasmine Khreiche, DSMA offers a comprehensive suite of services designed to guide clients from initial negotiations through to final closing, ensuring meticulous due diligence at every step.

The Process and Importance of Due Diligence

Meticulous due diligence is central to DSMA's methodology. When a dealership expresses interest in selling or acquiring, DSMA steps in to streamline the path forward. Wendy Durward explains: "When we get a signed letter of intent (LOI), our first step is to establish clear timelines and initiate communication between all parties involved—buyers, sellers, and our team."

This initial phase sets the groundwork for transparency and efficiency throughout the transaction.

During due diligence, DSMA coordinates and oversees that all parties complete their vetting of all aspects they require. This includes financial statements, environmental assessments, and any necessary legal documentation. Jasmine Khreiche



adds, “We set up a secure data room to manage information flow, emphasizing confidentiality and preventing information leaks that could jeopardize the transaction.”

Buyer/Seller Dynamics and Challenges

One of the critical aspects DSMA navigates is the dynamic between buyers and sellers. Wendy Durward notes that “buyers often seek detailed verification of information provided, whether it’s through a share sale or asset acquisition.”

“Each type presents unique challenges, from extensive due diligence lists in share sales to streamlined processes in asset acquisitions,” she says.

Moreover, DSMA acts as a mediator, ensuring alignment between parties with differing levels of sophistication and operational style. Wendy reflects on the kickoff meetings: “These meetings are pivotal. They reveal early on whether there’s chemistry between the parties or potential challenges ahead.”

DSMA’s role extends beyond transactional facilitation; it involves understanding and managing interpersonal dynamics crucial to successful deals.

“The kickoff meeting makes sure that all the parties know who’s who, who the key people are,” Wendy says. “Each transaction is different, and we adapt the process to the buyer and seller. No two buyers are the same. No two sellers are the same. No two transactions are the same. Out of all the ones that we’ve done, I don’t think there’s been any two that have gone through the exact same process.”

Throughout their engagements, DSMA encounters common challenges that could derail transactions. “Differing dealership operations, unresolved environmental issues, or inexperienced buyers are just a few challenges we encounter,” Wendy says.

“We can see early in the process how well the two parties are going to work together. We ask ourselves, ‘Is there chemistry, or not?’ That said, any buyer and seller can work together very well, as long as the attitude on both sides is in the right spot.”

DSMA’s proactive approach involves preemptively addressing these issues to mitigate risks and maintain momentum towards closure.

Engaging with Banks and OEMs

DSMA’s interactions with banks and Original Equipment Manufacturers (OEMs) are pivotal stages in the M&A process.

Navigating these complexities requires DSMA’s extensive experience and network. Wendy points out, “We handle multiple deals annually, offering insights into various OEM and bank requirements. This allows us to provide realistic timelines and assist with expectations to expedite the process.”

DSMA's Competitive Edge and Client Benefits

Compared to competitors, DSMA stands out for its personalized approach and breadth of experience. Wendy emphasizes that "unlike other firms, we offer emotional support alongside transactional guidance. For many sellers, their dealership is more than a business—it's their life's work, their baby. We provide a listening ear and strategic advice tailored to their unique situation."

Jasmine underscores DSMA's efficiency. "With the hundredes od deals we have handled, it gives us unparalleled expertise," she says. "We know the ins and outs of each OEM and bank, which translates to smoother, faster transactions. Our goal is to instill confidence in our clients, ensuring they're well-prepared for every step of the process."

Managing Timelines and Expectations

Setting realistic timelines is crucial in DSMA's approach. Wendy says, "We align with the LOI terms and gradually establish feasible timelines as we progress. This approach avoids unrealistic expectations and unnecessary stress."

Managing expectations extends to advising clients on concurrent actions to expedite transactions. Jasmine explains, "Conducting due diligence, drafting purchase agreements, and initiating OEM approvals simultaneously can significantly shorten timelines. Effective communication among all parties is essential, ensuring everyone is on the same page."

Looking ahead, DSMA continues to refine its strategies for faster, smoother transactions. Wendy asserts, "Encouraging buyers and sellers to streamline processes by tackling tasks concurrently rather than sequentially is key. Communication remains paramount—there are no shortcuts in M&A."

One Agent's Perspective

Kevin Leslie, a seasoned Associate with DSMA, highlights the stark contrast between DSMA's meticulous process and the lack thereof in other firms he's encountered. He emphasizes the common pitfall of merely waiting for the money to change hands after signing an LOI, noting the resulting lack of control.

"The hard part with doing these deals on your own is that you can't control anything," he says. "All you have is a hope strategy—hoping and praying that it gets over the finish line. That's not the way we work at DSMA."

Instead, he adds, DSMA is deeply involved from start to finish, initiating a celebratory acknowledgment upon LOI signing and the kickoff meetings with all stakeholders.

Kevin underscores the critical role of ongoing communication and structured timelines, facilitated through weekly calls post-kickoff to ensure accountability and progress. He cites DSMA's extensive experience in navigating deals of varying complexities, from smooth transactions to ones enduring significant challenges during due diligence. This breadth of experience enables DSMA to adeptly manage unforeseen obstacles, such as zoning issues that surfaced in a crucial deal, requiring a swift and innovative solution to keep the transaction on track.

Kevin stresses the importance of understanding the different levels of expertise among buyers and sellers. DSMA supports both parties impartially, ensuring a balanced and professional negotiation process.

Managing different personalities and emotional levels for a smooth process, is a key piece resulting in a happy conclusion for both parties.

Kevin emphasizes their proactive approach in guiding inexperienced buyers through unfamiliar territory, providing them with clarity and support throughout the transaction.

"We like to be involved from A to Z all the way through, to make sure it gets there with our process," he says. "At the end of the day, our goal is to get the transaction over the finish line!"



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AUTO DEALERSHIP ACQUISITIONS FOR **FIRST-TIME BUYERS: A COMPLEX WORLD**

The automotive dealership market is a dynamic and intricate sector, presenting considerable challenges, particularly for first-time buyers. Jennifer Rafael, Vice President Midwest and Partner at DSMA, offers a comprehensive perspective on the complexities and risks involved in acquiring auto dealerships. Through her insights, Jennifer illuminates the critical aspects of strategic growth and the essential role of expert guidance in navigating this competitive field.

Understanding the Challenges and Risks for First-Time Buyers

Entering the automotive dealership market for the first time can be daunting. Many prospective buyers are initially attracted by the potential for profit and growth but quickly find themselves facing a range of obstacles. Jennifer points out that without proper advisory services, first-time buyers are at significant risk.

“The danger is that they never find the right opportunities,” she explains. Without expert guidance, these buyers may spend months attempting to close deals, only to encounter repeated setbacks. The result is often frustration and a diminishing enthusiasm for the venture.

The complexities of dealership acquisitions extend beyond simple financial transactions. Jennifer highlights several key areas where first-time buyers often falter.

“The cash flow, debt servicing, and SBA loan structuring are areas where many buyers lack understanding,” she notes. Each deal must be meticulously tailored to fit specific financial and operational requirements. Buyers who do not fully grasp these components risk overextending themselves or making ill-informed decisions that could jeopardize their investment.

Jennifer stresses that many buyers receive oversimplified or misleading advice from various sources.

“They hear through the rumor mill that it’s easy and that they just need to apply here and there,” she says. This kind of advice creates unrealistic expectations and often leads to disappointment. Without a comprehensive understanding of the deal-making process, buyers may find themselves struggling to meet the required cash flow or failing to navigate complex debt structures.

The Importance of a Structured Approach

To mitigate the risks associated with acquiring dealerships, a structured approach is essential. Jennifer underscores that DSMA's methodology involves more than just finding deals; it encompasses prequalification, advisory services, and comprehensive support throughout the acquisition process.

"We prequalify them, offer free advisory services, and align them with the right opportunities," Jennifer explains. This structured approach helps ensure that buyers are well-prepared and informed, reducing the likelihood of costly errors.

An example involves a first-time buyer who aimed to acquire multiple dealerships within a year. Despite his ambition, Jennifer discovered that he lacked the necessary financial backing and resources. "He didn't even have the funds to purchase a single store," Jennifer notes.

DSMA's strategy was to start with a single deal, providing the buyer with guidance and support to build a solid foundation before tackling more ambitious goals. This approach helped prevent potential failure and set the buyer on a more manageable path.

Finding the Right Opportunities with a Trusted Advisor

The automotive dealership market is currently characterized by intense competition and various barriers to entry Jennifer describes the market as "challenging," particularly for first-time buyers who face competition from larger, established dealer groups.

"First-time buyers are up against large dealer groups in consolidation," she explains. This competitive environment can make it extremely challenging for newcomers to secure viable opportunities.

In addition to fierce competition, Jennifer notes that first-time buyers often grapple with external market challenges and credit constraints.

"They get challenged with competition from other dealers, which can be overwhelming," she says.

To counteract these difficulties, DSMA focuses on providing exclusive opportunities where buyers are less likely to face intense competition.

"We bring them to the table on exclusivity," Jennifer explains, which helps alleviate 70 to 80 percent of the challenges associated with competition. By securing transactions where buyers face fewer competitors, DSMA enhances their chances of success.

Strategic Growth and Divestiture

A crucial component of DSMA's services is strategic growth and divestiture. Jennifer offers an example of how DSMA has assisted a dealer group in optimizing their market presence. The group had acquired more than a dozen rooftops within three years but realized that some of these acquisitions were not aligned with their growth strategy.

"Initially, they expanded into markets that were not optimal for their growth," Jennifer explains. Recognizing the need for realignment, DSMA facilitated the divestiture of rooftops in less favorable markets and refocused efforts on regions with greater potential for growth.

This strategic approach not only supports the growth of existing



dealer groups but also creates opportunities for first-time buyers. By managing the divestiture process for larger groups and aligning first-time buyers with suitable opportunities, DSMA acts as a matchmaker within the industry. Jennifer emphasizes that this role is critical in balancing the market dynamics and facilitating successful transactions for all parties involved.

Long-Term Relationships and Strategic Thinking

DSMA's business model is grounded in fostering long-term relationships and employing strategic thinking. Unlike firms that may focus on short-term transactions, DSMA is dedicated to building enduring partnerships and supporting ongoing growth.

"We're very much long-term thinkers," Jennifer notes. This philosophy allows DSMA to develop a robust database of clients and leverage these relationships to create additional opportunities.

Jennifer highlights the importance of cultivating meaningful relationships rather than pursuing a transactional approach.

"We're not just knocking on every door," she says. Instead, DSMA focuses on creating lasting, valuable connections with clients. This commitment to strategic thinking and client support contributes to DSMA's success and reinforces their role as a trusted advisor in the dealership acquisition process.

Educational Aspects and Realistic Expectations

Education is a fundamental aspect of DSMA's approach. Jennifer emphasizes the importance of preparing first-time buyers for the complexities involved in acquiring a dealership.

"The car business is challenging again," she points out, referring to the challenges posed by the current economic climate and banking environment. With floor plan lenders and indirect lenders exiting the market, securing financing has become increasingly difficult.

Jennifer underscores that acquiring a dealership involves more than dealing with hard assets.

"It's not just hard assets," she says. The process includes evaluating goodwill value, managing inventory lines of credit, and verifying working capital requirements. Understanding these components is crucial for achieving successful outcomes. DSMA's educational efforts aim to bridge the gap between unrealistic expectations and the realities of the industry.

The Road Ahead: Preparing for Future Success

As the automotive dealership market continues to evolve, the need for strategic guidance and expert support remains paramount. Jennifer Rafael and DSMA exemplify the value of a structured, informed approach to dealership acquisitions. By emphasizing long-term relationships, realistic expectations, and thorough education, DSMA helps clients navigate the complexities of the market and achieve their goals.

Looking ahead, Jennifer envisions continued growth and development for DSMA and its clients.

> **"By managing the divestiture process for larger groups and aligning first-time buyers with suitable opportunities, DSMA acts as a matchmaker within the industry."**

"We're developing the footprint, but also our mission and vision with our clients," she says. This commitment to growth and excellence underscores DSMA's role as a leading advisor in the automotive dealership industry.

Navigating the auto dealership market requires a blend of strategic insight, comprehensive support, and a commitment to long-term relationships. Jennifer Rafael's expertise and DSMA's approach offer invaluable guidance for first-time buyers and seasoned investors alike. By addressing the challenges and leveraging opportunities within the industry, DSMA continues to shape the future of auto dealership ownership and ensure the success of its clients.



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IS IT GETTING HARDER TO **BUY A DEALERSHIP IN NORTH AMERICA?**

The market for dealership sales and acquisitions in Canada has been buffeted by strong headwinds in the form of high interest rates, inflation and the banking industry's diminished confidence in the auto retail sector. But by following some basic best practices, both prospective sellers and buyers alike can more effectively navigate the complexities of complicated deals – and create mutually beneficial transactions. Farid Ahmad, Founder and Chief Executive Officer of DSMA, offers some insights and advice – and points out the most active regional markets that are primed for acquisitions.

Q: Has it become more difficult to acquire a dealership? And if so, why?

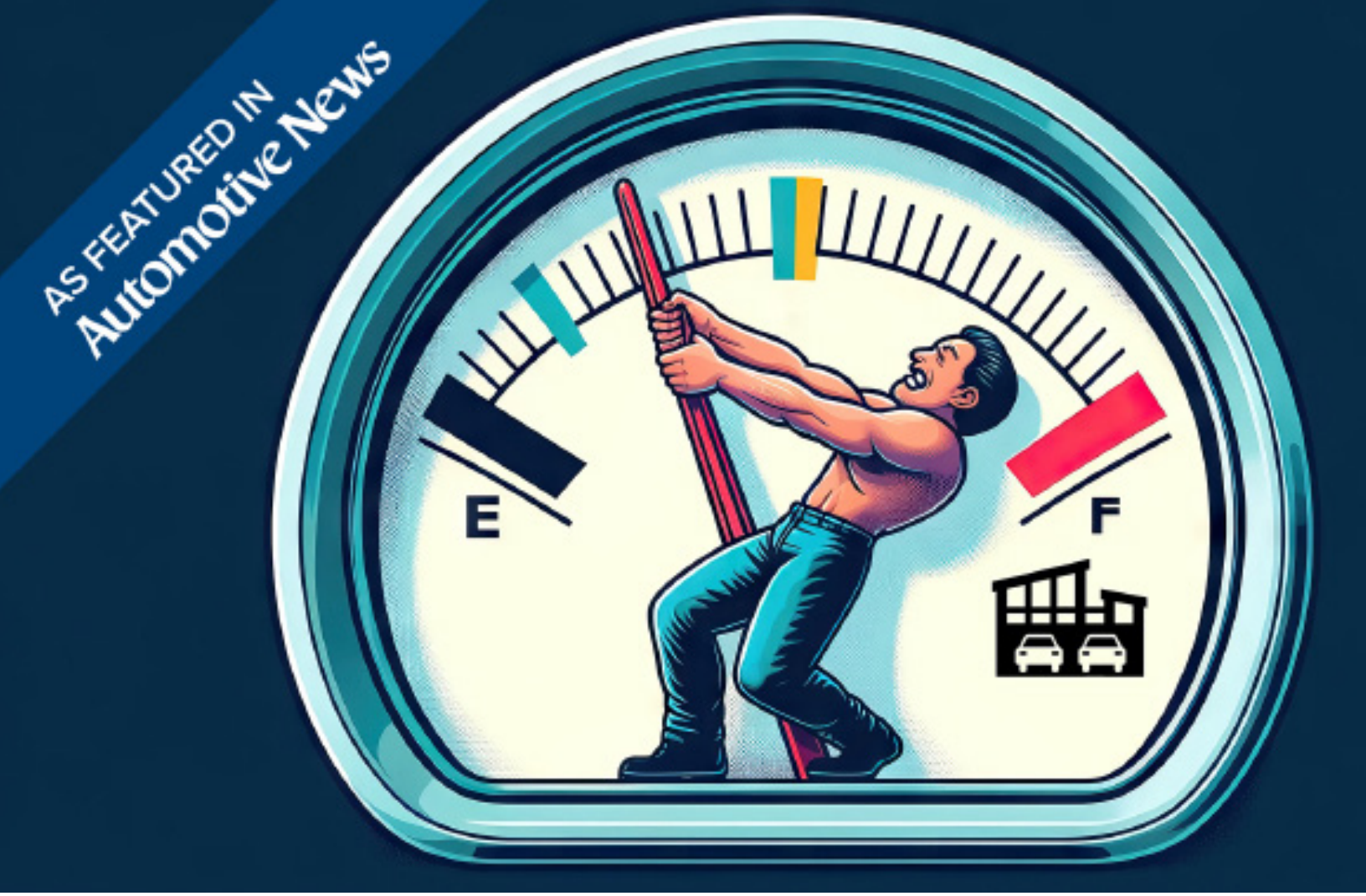
Farid Ahmad: Acquiring a dealership has indeed become more challenging, especially in the aftermath of the pandemic. Several factors contribute to this increased difficulty:

- **Inflation and Interest Rates:** Inflation led to higher interest rates, which increased the cost of financing for potential buyers.

- **Inventory Issues:** Ongoing supply-chain disruptions resulted in continued inventory shortages for some brands, while others were over-stocked, which complicated dealerships' operations and hurt their profitability.

- **Banking Confidence:** All the major banks in Canada have shown reduced confidence in the retail automotive sector, which led to more-stringent lending criteria and increased caution in extending new business loans. This has additionally reduced their exposure when lending on such things as dealership goodwill.

Collectively, these factors resulted in a decline in the multiples applied to the net earnings of most automotive brands, further



complicating the acquisition landscape.

Q: What can a dealership organization do to become a more attractive buyer to an owner looking to sell a dealership?

Farid: In today's market, sellers recognize two critical factors that influence the successful sale and closure of their dealership: financing and manufacturer approval. Consequently, sellers are unlikely to engage in a formal buy-sell process unless the prospective buyer has thoroughly addressed and mitigated these challenges. To become a more attractive buyer, a dealership organization must demonstrate strong financial stability and secure the necessary manufacturer approvals, ensuring these aspects will not hinder the transaction.

> "In today's market, sellers recognize two critical factors that influence the successful sale and closure of their dealership: financing and manufacturer approval."

Q: What are the characteristics or best practices of a good dealership acquisition strategy?

Farid: I get asked this question frequently. A robust dealership-acquisition strategy requires understanding current market dynamics and implementing best practices tailored to both buyers and sellers. In today's balanced market, buyers typically fall into three categories: Strategic purchasers, opportunistic buyers and "hometown dealer groups." Sellers, on the other hand, are often motivated by various factors, including the potential for upside, high demand for their dealership's brand or location or personal circumstances that prompt them to sell.

Here are some best practices for buyers:

- **Simplified Offers:** Keep letters of intent (LOIs) clear, fair and balanced, with minimal conditions.
- **Experienced Advisors:** Engage

> “It’s important to note that in any VTB deal, the bank financing the transaction will retain first priority on the collateral.”



automotive accounting and legal firms with a proven track record and consult with companies such as DSMA.

- **Focus on Key Issues:** Prioritize significant deal aspects and avoid getting bogged down by minor details.
- **Manufacturer Approval:** Ensure you have, or can secure, the necessary approvals from the manufacturer.
- **Pre-Arranged Financing:** Secure financing beforehand to streamline the acquisition process for such things as goodwill, floor planning and working capital.

Sellers should consider these best practices:

- **Accurate Valuation:** Understand the true value of your business before listing it for sale (ask DSMA for a free quote).
- **Identify Deal Breakers:** Clearly define your non-negotiable terms when you are thinking about selling.
- **Focus on Key Issues:** Avoid getting sidetracked by minor details.
- **Tax Implications:** Be aware of the tax consequences of selling your dealership.
- **Qualified Representation:** Engage a reputable firm, like DSMA, to ensure your business is presented only to prequalified buyers.
- **Experienced Advisors:** Use experienced automotive accounting and legal firms to facilitate the deal.

By following these best practices, both buyers and sellers can navigate the complexities of dealership acquisitions more effectively, which leads to successful and mutually beneficial transactions.

Q: What can a prospective dealership buyer do to mitigate the impact of rising interest rates?

Farid: In the current environment of high interest rates and constrained lending, prospective buyers of dealerships have limited options to mitigate the impact. However, there is one effective strategy: Use of vendor take-back (VTB) deals. In a VTB arrangement, the seller agrees to hold a portion of the purchase price as a loan to the buyer. This loan typically can carry an interest rate lower than what banks offer and is structured for a specified period. This also can benefit the seller.

It’s important to note that in any VTB deal, the bank financing the transaction will retain first priority on the collateral. Thus, while VTB arrangements can provide some relief from high interest rates, they must be carefully negotiated to ensure both parties benefit and that the primary lender’s requirements are met.

Q: Are there regions of the country that offer more opportunities to a retailer that wants to acquire a dealership?

Farid: Several regions across the country present significant opportunities for retailers looking to acquire a dealership. The following regions are ranked in order of the most active markets: Quebec, Ontario, East Coast provinces, Prairie provinces, Alberta and British Columbia.

Each of these offers unique market dynamics and growth potential, making them attractive for dealership acquisitions.



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MANAGING **OEM APPLICATIONS WITH EXPERTISE**

We recently had the pleasure of sitting down with John Hill, Director of Acquisition Management at DSMA, to discuss his extensive experience in the automotive industry, the challenges applicants face when applying for OEM approval, and some invaluable tips for navigating this complex process.

Q: Could you start by sharing a bit about your background and how you became the Director of Acquisition Management at DSMA?

John Hill: My background includes 32 years with the Volkswagen Group, during which I spent 2 years as a regional network development manager for Audi and 10 years leading the national network development team for Volkswagen. I also led the team that established Volkswagen of America as the importer for Bugatti Automobiles and established the dealer network across North and South America. During my work with dealers across the Americas, I developed a strong understanding of what OEMs expect of a dealer applicant. Having worked with hundreds of dealers, I have a great appreciation for their expectations as well. As the Director of Acquisition Management for DSMA, I draw on this vast experience to assist dealers and guide them through the OEM approval process or to be assigned an open point. OEMs also approve of my involvement as my work brings efficiency to the application process. I speak their language, is a good way to put it.

Q: With nearly 40 years in the automotive industry, what are some of the most significant changes you have witnessed, particularly in the OEM approval process?

John: The basics have remained the same in terms of state law and general OEM guidelines. The greater challenges are that OEMs have greater access to information, including background checks. In the past, we would send a written request for a background check and wait a few weeks for a response. Now, an OEM has access to various online outlets with nearly instant feedback on an applicant. Also, the trend of greater involvement with large groups can make it more difficult for smaller operators to gain access to new points or buy-sell opportunities. The bottom line is that if an OEM is looking for a reason to reject a candidate, it's much easier to do so with the information that can be found online. In my role with DSMA, I work closely with the team to thoroughly understand each candidate's background and qualifications. Together, we craft a compelling narrative that highlights why they are the ideal



fit for a specific location, ensuring that every aspect of their story aligns with the needs of the dealership and the community they will serve.

Q: What are some common challenges that applicants face when applying for OEM approval for an existing dealership?

John: OEMs want to know everything about the other operations of a dealer candidate and will check all performance metrics, including capitalization, profitability, SSI/CSI, and sales effectiveness. If any of these are not in compliance with OEMs' requirements or expectations, an OEM will use it as a reason to decline an application. Furthermore, when rejecting an applicant, they will reject without providing a specific cause, so a dealer may never know the real reason for being turned down. If a dealer applicant is seeking their first dealership, the lack of experience may be a challenge, even if the candidate has a background as a GM. Financing is another significant hurdle as banks have become more stringent with their approval criteria over the past few years.

Q: How do the challenges differ when applying for a new open point compared to an existing dealership?

John: The basic approval criteria remain the same, but a new point is more difficult as a dealer may be in competition with a few hundred other dealers seeking the same appointment. This high level of competition significantly raises the bar for applicants. In a new open point application, an applicant not only has to meet the stringent OEM criteria

but also needs to distinguish themselves from other highly qualified candidates. This means presenting a compelling business plan, showcasing a robust financial backing, and demonstrating a clear understanding of the market dynamics. Additionally, OEMs often look for innovative strategies that align with their brand vision and market penetration goals, making it crucial for applicants to be thoroughly prepared and exceptionally strategic in their approach.

Q: Can you share a particularly challenging case you have handled and how you overcame the obstacles involved?

John: We had a dealer applicant who had consumer fraud cases in one of their other locations, and through discussions with the OEM, we were able to successfully prove that the applicant was not a party to the cases, even though the individual was an owner of the business.

Q: What tips would you give to first-time buyers to improve their chances of OEM approval?

John: They need a strong business plan to show that they understand the demands of operating a new car dealership, and through the expertise of DSMA's marketing and finance teams, along with my involvement with the OEM, we can present a candidate in the best possible light and maximize their chances for approval. An applicant can demonstrate their support by highlighting compliance with CI/CD at their other operations, and align with the manufacturer's criteria and corporate identity. OEMs consider first-time buyers a risk as there is no track record to verify, other than an independent operation review on Google, etc.

Q: How does your team's experience and network with various OEMs benefit applicants?

John: We seek to identify any issues that may affect OEM approval, such as financing limitations, performance issues, etc. Knowing these upfront can help us direct a candidate to the best opportunity for their situation or build a story to alleviate what we know an OEM will discover in their research on a candidate.

DSMA's assistance is different from what other smaller brokerage companies may offer due to our extensive background in the OEM world. We have established trusted relationships with regional and national OEM network development personnel, and these relationships grow on a weekly basis. We are not seen as a broker trying to push through a candidate, but rather someone who understands the requirements and is working to put the best candidates forward for approval. In the case of a buy-sell, we don't always have as much control over who may be applying for approval, so we work with them to carefully guide them through the process.

Q: How do you foresee the OEM application process evolving in the next few years?

John: My concern is that it will become more automated, reducing the reliance on personal relationships. AI seems to be taking over everything, and I can see OEMs using it more for the more repetitive steps in the process, with minimal review at the face-to-face level. I think it's dangerous for the OEMs and applicants alike, as the relationship between the two parties is critical to a successful partnership.

Q: Finally, what drives your passion for helping dealerships and applicants succeed in the automotive industry?

John: I have been fortunate to work in this industry for over 40 years, and I am especially proud to have worked for the VW Group for half of its existence in the USA. I have worked with dealers across all types of markets, rural and metro, independent operators, and large groups. On one hand, I was fortunate to experience a dealership where the owner would take livestock as a trade-in, and on the other hand, I spent time with Roger Penske and discussed business strategy for his large network of dealerships. One half of my experience has been working face-to-face with dealers and their teams, the other half was in strategic positions determining the direction of a brand. No matter which role I was in, I always tried to remember the impact that decisions have on dealers and their teams and have enjoyed seeing the effect of my work over the years. My goal has been to support dealers and to balance their goals with the expectations of the OEM, which may not always seem to be in alignment. With my experience, I can help dealers meet these expectations and successfully guide them through the approval process.



INTERVIEWEE

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“A DREAM IN THE MAKING”: **A DSMA SUCCESS STORY**

I recently had the pleasure of working with Ryan, a client who had always dreamed of owning his own car dealership. He spent countless hours working his way up at successful dealership in his local town. Just like many of us, Ryan started at the bottom and eventually worked his way into management. He learned all the ins and outs of the car business, really grasping the details and understanding what it would take to venture into ownership. After years of working in the industry and saving diligently, Ryan finally decided it was time to make his dream a reality.

His first approach was to purchase an existing dealership. After presenting several options, Ryan finally landed on a promising opportunity in a primary market where the current owner was ready to retire. Ryan was excited! He planned to buy the real estate, acquire all the dealership’s assets and inventory, and retain the experienced staff. However, Ryan quickly learned it’s not always that straightforward and the final decision rested with the OEM. The approval process proved to be challenging.

To increase his chances of approval, Ryan knew a solid business plan and financial projections were essential, however he wasn’t sure where to start. He reached out to me and asked for help. Of course, I was more than happy to support him. With the assistance of our team at DSMA, Ryan received expert guidance in creating a comprehensive Dealer Profile Package (DPP), which included detailed insights into his qualifications, his vision for the dealership, and his long-term plans for growth. We also highlighted his commitment to brand standards, customer satisfaction, community involvement, his personal achievements, and awards.

The DSMA team meticulously compiled and submitted all necessary documentation, ensuring that every detail was perfect. Thanks to the Dealer Profile Package, Ryan presented a strong case to the OEM, significantly increasing his odds of approval.

Ryan’s success with the DPP didn’t end with acquiring an existing dealership. His friend



and fellow 20-Group member, Sarah, faced a similar challenge when her father decided to pass on the family-owned dealership to her as part of his succession plan. Sarah assumed it would be a straightforward transition, but she soon discovered that manufacturer approval was not guaranteed. She sought Ryan's advice, and he recommended DSMA.

We also helped Sarah prepare a comprehensive package showcasing her qualifications, vision, and business plan. Her Dealer Profile Package reassured the OEM that the dealership's legacy would continue seamlessly under her leadership. With her impressive background and the support of our DPP, Sarah secured the approval needed to successfully take over the family business.

> **"Facing stiff competition, John needed to stand out and prove his capability and financial stability."**

Encouraged by these successes, John, another client, decided to pursue an "Open Point" dealership opportunity. The OEM had identified a growing area with a high number of brand-loyal customers and was inviting applications for a new dealership. Facing stiff competition, John needed to stand out and prove his capability and financial stability to successfully open and operate the new dealership.

Once again, John turned to DSMA. Having successfully worked with us before, he knew we were the right partner to help him navigate this critical next step in his journey. This time, our focus was on crafting a comprehensive and compelling Open Point Package (OPP) that would do more than just meet the basic requirements—it needed to showcase John's unique strengths and position



him as the ideal candidate for this opportunity.

We meticulously gathered and highlighted every aspect of John's financial resources, operational expertise, and proven track record. Our team worked closely with him to ensure the OPP was not just a document, but a true reflection of his dedication and vision. We included detailed evidence of his working capital, ensuring that every figure and projection was aligned with the manufacturer's stringent criteria. From real estate to facility size, every requirement was met and exceeded, painting a clear picture of John's readiness to take on this new venture.

When John submitted his OPP, it didn't just meet the expectations—it captured the OEM's attention. His application stood out in a competitive field, not just because it was thorough, but because it told a story of a dealer ready to make a significant impact. As a result, John was awarded the open point dealership, a testament to his hard work and the strength of a well-prepared plan.

Dreams don't just happen. They are built, step by step, with the right support and guidance. John's story is a powerful reminder of what's possible when determination meets expertise. It's not just about winning opportunities; it's about making strides toward a future that reflects your vision and values.

At DSMA, we are proud to have been part of John's journey, helping to turn his aspirations into reality. Our role goes beyond helping secure approvals; we help our clients take significant steps forward in their futures, creating lasting impacts not just for themselves but for their communities as well.

The power of a Dealer Profile Package or an Open Point Package is immense. It's not just paperwork; it's a narrative that showcases your vision, your readiness, and your commitment to excellence. It's about positioning yourself as the best candidate in a highly competitive market, ensuring that your dream doesn't remain just a dream but becomes a reality.

We are more than just consultants here at DSMA. We are your partners in this journey, committed to helping you navigate the complexities of dealership acquisitions. With the right plan, the right team, and an unwavering pursuit of your dream, anything is possible. We look forward to helping write the next ownership success story—yours.



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THE FUEL LINE
AN AUTOMOTIVE M&A PODCAST

REVVING UP AUTOMOTIVE M&A. ONE EPISODE AT A TIME.

Accelerate your knowledge with *The Fuel Line*, the essential podcast for navigating the high-octane world of automotive mergers and acquisitions. Hosted by Farid Ahmad, Founder & CEO of DSMA, each episode delivers top-tier insights from leading executives, industry analysts, key decision-makers, and everyone in between. **Introducing DSMA's first podcast. Tune in today to stay ahead of the curve.**



Have an interesting topic or want to be featured on our show?
Contact us at thefuelline@dsma.com.

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DSMA QUEBEC: **THE NEXT GENERATION OF EXPERTS**

The DSMA Quebec team is often the talk of the town. With over 100 transactions to their credit and an unmatched provincial presence, the four associates that make up the team demonstrate an operational efficiency that commands both great respect and admiration. Iconic figures in the mergers and acquisitions industry and pillars of DSMA's unprecedented performance, Manon Messier and François McDonald mentor Melissa Samatas and Gracielle Sills. Melissa and Gracielle are the designated successors poised to sustain the excellent results achieved by the two long-standing associates.

Just one year ago, Gracielle Sills—then an Account Director in the Corporate Automotive Finance division at BMO (Bank of Montreal) Canada—joined DSMA, at a time when François McDonald was seeking someone to succeed him when the time came. Gracielle is no stranger to the automotive world: "I stumbled into finance a bit by chance," she explains. "In 2008, while doing various jobs here and there, a recruitment agency called me for a temporary position at BMO, and my career path unfolded from there. Initially trained in marketing, I eventually set that field aside to shift my focus to finance." Committed to a career that initially didn't seem destined for her, she explored all financial departments related to the automotive sector. From credit approvals for vehicle purchases, to F&I consulting with dealers, and transitioning from the retail sector to the commercial sector where she spent the last 8 years, Gracielle was financing businesses when she first met François during a meeting at the beginning of 2020.

During this meeting between DSMA and BMO in Laval, Quebec, the two companies deepened their professional relationship and initiated mutual referrals to create an operational synergy that would facilitate cross-functional interactions. The bond between François and Gracielle was slowly built through discussions and collaborations before François expressed his desire to work more closely with her in the field of mergers and acquisitions. With 15 years in the automotive sector at BMO, Gracielle brings prior market knowledge and an established reputation, ensuring assured success. Working primarily in the western region of Quebec, she operated in the same areas as her mentor and is now reconnecting with the clients she served when she was an Account Director at BMO.

"I didn't hesitate to team up with François. We already had many similarities in our working styles when he was at DSMA and I was at BMO. From then on, François believed the best way to train me



Gracielle Sills with Mélissa Samatas

was to immerse me in an extended period of close observation and assistance so that I could grasp the specifics of an industry that, while not unfamiliar to me, presented itself from a different perspective. François involves me in all client meetings, business discussions, and presentations, and allows me to take over when he feels I am capable of handling the case. Today, thanks to his very instructive teaching method, I manage my own contracts and only refer to him in cases of absolute necessity."

The acquisition process and the often-unexpected challenges that accompany it stimulate Gracielle's creativity and add a dynamic dimension to the entire transaction. Naturally organized, Gracielle uses very precise methods to ensure exceptional aftercare and maximize her clients' success; she notes: "A dealership may not be for sale today, but it might be tomorrow." Providing high-end service also involves maintaining impeccable diligence at automotive events, staying in constant contact with dealerships in her territory, and thus gaining a real representation of an industry that is currently fluctuating, through the eyes of the owners themselves, who are on the front lines of an economy in transformation. Signing a transaction subsequently takes on a more personal dimension, and Gracielle considers the dealerships affected by controversial reforms, such as Honda's adjustments to profit margins for businesses to offset the costs of manufacturing electric vehicles, as just one example. On the other hand, financial institutions are becoming increasingly cautious, and manufacturers are becoming more selective. Gracielle's extensive relationships and knowledge in the banking sector are thus indispensable assets in managing her contracts and executing her projects with great skill and precision.

Her unique perspective and proven expertise are reinforced by a parental legacy, symbolizing her excellence. As the daughter of Eugène Talbot, a renowned shareholder of three Ford dealerships in Quebec and Sales Director with exceptional records at Chartrand Ford for nearly 40 years, Gracielle continues the family tradition by leaving her mark on the automotive industry as an expert and thereby becoming a prominent figure in the provincial mergers and acquisitions scene.

Passion for the automotive industry seems to be in DSMA's blood. Manon Messier, the daughter of a former Lincoln/Mercury dealer, and Melissa Samatas, who is from a family that owns several Honda dealerships in Quebec, now form a highly effective team covering

most of the eastern territory of the province. Complementary in their skills, the two women share a passion for mergers and acquisitions. Despite their individual differences, they are united by their motivation to overcome the challenges of a transaction and their almost instinctive desire to achieve their clients' goals and contribute to their success. Manon, a key reference in the automotive industry, has embraced her role as a mentor and is, unsurprisingly, a true encyclopedia on the mechanisms and intricacies of transactions, the methodologies to know and adopt, and the management of practical cases. By allowing Melissa to assist her in all her efforts and granting her full trust, Manon provides Melissa with the unique opportunity to refine her ability to navigate situations and coordinate business with insight from the other side of the operations.

Indeed, Melissa went through similar challenges when her family felt the need to step away from the dealership life. "I know what it represents," she says. "Leaving the industry, or simply reassessing one's entrepreneurial goals, is akin to a life decision. When you're a dealer, the entire family is involved. We talk automotive. We breathe automotive. We live automotive. Manon and I come from those kinds of families, driven by a common passion, and at some point in their journey, they have to make a choice that will reshape their daily lives. That's why we experience this moment not as a mere transaction, but as support towards new goals, towards a new life trajectory. Because can one truly make a 360° turn without being tempted to look in the rearview mirror?"

Melissa followed in her father's footsteps, as did her older sister. The Samatas family's history in the automotive industry dates back to 1978, when Thomas Samatas opened his first dealership, Encore Honda, in Chateauguay, on the outskirts of Montreal. Two years later, he diversified by starting a rental company. In 1982, Honda approached him due to his growing success, and Thomas acquired his second business under this brand. The Samatas Group was born and made its mark in the automotive industry over the years by opening two more Honda dealerships (with Melissa leading Vaudreuil Honda), a Kia dealership, and becoming the first Honda Powerhouse dealer in Canada with the construction of Excel Moto in 2006. He continued to lead the brands into new horizons and made his mark in the history of both manufacturers. In 2023, the group took its final turn by turning to DSMA to conclude its journey as a dealer definitively.

As the first woman member of Honda Quebec's Advertising Council, the first female member of Honda Canada's Dealer Council, and the first Chair of Honda Canada's Dealer Advisory Council, Melissa is a trailblazer in the automotive industry, committed to promoting diversity and recognized for her visionary leadership. "During my years as Vice President at the Samatas Group, I developed a program that would create a reference charter allowing me to understand and analyze all the processes of a dealership. This program detailed the procedures for each role and department and fostered new ideas to optimize organization and time management within the company." As an automotive expert with extensive experience in the industry, Melissa is a seasoned strategist who not only faces challenges head-on but also enjoys finding solutions and addressing each problem with precision, anticipating pitfalls to turn opportunities into lasting success.

"Manon provides Melissa with the unique opportunity to refine her ability to navigate situations and coordinate business."

"The most difficult thing," she explains, "is realizing that we cannot fulfill certain client desires because various decision-making factors are beyond our control. For example, financial approval or manufacturer approval. Fortunately, at DSMA, we have developed specific programs, such as the Application Packages, to address these obstacles and work every day to ensure our clients find great satisfaction. There is a whole team behind me that not only supports me in my efforts but also supports all my clients by adapting to the harshness of the market and creating new tools that will help us achieve our goals."



The future looks bright for DSMA. Beyond the company's obvious growth, the two associates are considering crossing borders. Gracielle has her sights set on the United States, envisioning future cross-border transactions between Americans and young Quebec clients, supported by a favourable and economically beneficial market for both territories. The opportunities in the U.S. are numerous, and the banking system is more accessible. Gracielle ambitiously aims to follow in her mentor's footsteps while infusing her own methods, sharpened by her determined character and forward-thinking vision. Melissa, on the other hand, plans to build a team to meet the growing market demand and cater to an increasing number of clients. As an entrepreneurial spirit, she intends to expand and diversify DSMA's network by leveraging industries related to the automotive sector: more transactions in the marine sector, motor sports vehicles, and trucking, among others. However, both partners maintain the same objectives: to remain number one in North America and to honour the unparalleled efforts and achievements of their respective mentors, with whom they have formed extra-professional relationships. For, above all, mergers and acquisitions are not limited to dealership transactions: they are also about the journey of committed, dedicated, and passionate individuals who meet at a crossroads, guide each other to sketch out a new future together, turn challenges into shared successes, and thereby reshape the automotive market landscape.

The professional paths of Gracielle and Melissa highlight the importance of family values in Quebec, where the spirit of family and intergenerational transmission are at the heart of the culture. This influence extends beyond their career choices and is also reflected in their work approach, where commitment and loyalty remain essential. By passing the torch to Gracielle and Melissa, François and Manon are nurturing a family legacy that seems to be an inherent value of the DSMA Quebec team. After all, at DSMA, our connection to the automotive industry is fundamentally part of our DNA.



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PRESS RELEASE: QUOTUS INTRODUCES BREAKTHROUGH **FINANCIAL INTELLIGENCE PLATFORM FOR AUTOMOTIVE RETAIL GROUPS**

MONTREAL, ON, September 12, 2024, QUOTUS, a leading provider of financial intelligence solutions for the automotive retail industry, is proud to announce the launch of its innovative SaaS platform designed to transform complex financial data into actionable insights. Tailored specifically for CFOs, financial teams, and operations departments, QUOTUS tracks more than 280 different KPIs, simplifies financial data consolidation and analysis, empowering dealerships to make informed decisions quickly.

QUOTUS leverages advanced business intelligence to offer real-time analytics and forecasting, enabling automotive retail groups to understand their financial health instantly.

The platform supports a wide range of automotive brands, providing standardized charts of accounts and averages from the largest dealership data lake in the industry. With over 100 dealer users, QUOTUS has already aggregated over 20,000 f inancial statements resulting in more than 50 million data points. This allows users to compare performance across different OEMs, brands, tiers, and regions effectively.

About QUOTUS and DSMA Partnership:

QUOTUS is a proud partner of DSMA, North America's leading automotive intelligence and M&A advisory service. DSMA has completed thousands of dealership valuations and hundreds of successful transactions, making it a trusted name in the industry. This partnership brings QUOTUS the added benefit of DSMA's deep industry knowledge, extensive network, and strategic insights.

By collaborating with DSMA, QUOTUS enhances its ability to provide clients with a comprehensive financial

> **“We developed QUOTUS to address the unique challenges faced by automotive retail groups in managing and interpreting their financial data.”**

QUOTUS
INPUT FINANCIALS. OUTPUT INTELLIGENCE.

intelligence platform backed by the expertise needed to navigate the complexities of the automotive market. Clients benefit from DSMA’s extensive experience in dealership operations, market trends, and M&A processes, making QUOTUS a powerful tool for driving business performance and achieving growth objectives.

Key Features of QUOTUS Include:

- **Financial Data Consolidation:** Streamlines financial data from multiple sources into clear, actionable insights.
- **Real-Time Analytics and Forecasting:** Provides instant access to financial health metrics and predictive analytics.
- **Standardized Chart of Accounts:** Enables consistent comparison across various OEMs.
- **Custom KPIs and Benchmarks:** Offers tailored key performance indicators and benchmarks to track and improve performance.
- **360-Degree KPI Review:** Facilitates a comprehensive review of key performance indicators with passive insight visibility.
- **Forecast Integration and Variance Analysis:** Helps streamline execution and review results with advanced forecasting modules.

“We developed QUOTUS to address the unique challenges faced by automotive retail groups in managing and interpreting their financial data,” said Maxime Théorêt, Co-Founder and CEO of QUOTUS. “Our platform is designed to be intuitive and powerful, providing users with the tools they need to optimize their operations and drive success.”

Steve Quinn, Dealer Principal of BMW Toronto, has been one of the early adopters of the platform: “I have been working with the QUOTUS platform for the past few months and I am very impressed. The tool is very intuitive and the KPIs are always accurate and insightful. If you have an interest in the product offering, I’d love to tell you my experience. The good folks at QUOTUS can set up a Zoom call for you and I.”

About QUOTUS:

QUOTUS is a Canadian owned and operated technology company specializing in financial intelligence solutions for the automotive retail industry. Founded by a team of industry experts, QUOTUS aims to simplify financial data management and provide actionable insights to drive business performance. As a partner company of DSMA, QUOTUS benefits from unparalleled industry expertise, ensuring that its platform meets the evolving needs of automotive retailers.

About DSMA:

Dealer Solutions Mergers and Acquisitions (DSMA) stands as a premier firm at the forefront of the automotive industry’s M&A landscape. Founded in Toronto to disrupt conventional dealership transactions, DSMA has grown into the leading M&A firm in Canada, boasting over $7 billion in dealership sales within the last five years. Expanding into the USA in 2018 and establishing US headquarters in Florida, DSMA now holds a prominent position as the primary buy-sell transaction partner across North America. With a vision to be the leading provider of M&A advisory services to North American dealers, DSMA leverages its 1,000+ years of collective automotive industry experience and expertise to offer strategic M&A services to automotive and heavy equipment retailers and manufacturers. Specializing in dealership valuations, mergers and acquisitions advisory services, and comprehensive entry and exit strategies, DSMA is recognized for its transparent, professional, and engaged approach, making it the preferred partner for clients looking to navigate the complexities of dealership transactions. To date, DSMA has completed over 1,900+ valuations and 450+ transactions across North America.

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For more information or to schedule a demo, please visit QUOTUS.com.

DRIVING TRANSFORMATION: **ARTIFICIAL INTELLIGENCE, MACHINE LEARNING AND IMPROVING OPERATIONAL EFFICIENCY**

Retail auto dealerships and groups get more complicated. Always. More brands, more sales channels, more service options, more stores, more technology. In the chaos, putting financial insights into action has never been more important. And separating the signal from the noise has never been more difficult.

QUOTUS from DSMA was created to isolate the signal and quiet the noise in retail automotive group financial planning and analysis (FP&A). QUOTUS uses AI, machine learning, and powerful, intuitive graphics to ensure the financial minds in dealership organizations can work quickly and efficiently while simultaneously effectively communicating their findings and insights to everyone else – using nothing more complicated than your monthly OEM financial statements.

QUOTUS was created to inform business valuation and financial decision-making for DSMA mergers and acquisition clients. QUOTUS has grown into a SaaS for CFOs, financial teams, and operations managers to make complex financial data both accessible and comprehensible.

By generating a standardized chart of accounts across brands and DMSs, QUOTUS compares performance across OEMs, brands, tiers, and regions. Real -time analytics and forecasting illustrate group financial health at a glance and empower clients to make informed decisions that drive growth. QUOTUS provides simple data consolidation and graphical communications tools that were previously out of reach without internal tech and FP&A teams. It is a mega-group tech that smaller groups can afford.

QUOTUS's Co-Founder and CEO Maxime Théorêt and Director of Technology Véronique Boucher recently discussed how they use technologies including machine learning and AI alongside intuitive design to improve the services they provide their clients.



Technology is pervasive across industries, and the automotive sector is no exception. For Maxime, the primary benefit is in its ability to enhance efficiency.

“Machine learning helps us streamline complex processes, such as valuations and prospectuses, which traditionally required numerous manual steps,” he explained. Tasks that previously involved extensive manual work are now handled with greater speed and accuracy.

Véronique expanded on the point:

“What it means for our clients is simple. QUOTUS streamlines tasks that previously required manual data entry, such as financial statements.”

Automation speeds up processes while reducing errors associated with manual input, freeing up valuable time for putting insights into action.

Quantifying Time Savings

The impact on time management is substantial. Véronique provided a striking example: “What used to take a week to complete now takes less than 90 seconds.”

The benefits extend beyond just time savings. By reducing the time spent on repetitive tasks, organizations can allocate resources more effectively and improve their operational efficiency. The automation of these processes not only accelerates workflows but also enhances accuracy and reliability in data handling.

Ensuring Accuracy Amidst AI Integration

Despite its benefits, machine learning has not received the publicity of its more famous sibling AI. And AI integration has sometimes raised concerns about accuracy. Véronique addressed these concerns by distinguishing between AI and machine learning.

“Machine learning, used for repetitive tasks, minimizes errors because it’s essentially robotic automation,” she explained. However, AI, especially in valuation tasks, still requires human oversight to ensure accuracy. Maxime added, “AI generates a first draft, but human interaction is crucial to review and finalize the output.”

The technology’s ability to detect and correct errors is a significant advantage. Maxime noted, “Our systems are built with numerous checks and balances. They flag discrepancies and errors, often identifying issues that arise from clients’ data.” This proactive approach to error detection helps maintain high standards of accuracy and reliability.

Leveraging AI for Forecasting and Risk Management

AI’s role in forecasting and risk management is becoming increasingly significant. Maxime describes how AI can predict future financial performance by analyzing vast amounts of data, including economic indicators and regional specifics.

“Our goal is to help clients streamline their budgeting processes by providing AI-driven forecasts that adapt to changing economic conditions,” he said.

In the realm of risk management, DSMA is developing models

to help large groups, financial institutions, and OEMs manage their dealership portfolios similarly to how wealth management portfolios are handled, which will have practical application for dealership acquisitions, consolidations, and other core services offered by DSMA.

"We're working on tools that will allow clients to identify and manage risks more effectively," Véronique added. This approach enables clients to monitor their portfolios proactively, identifying potential issues before they escalate and facilitating more informed decision-making.

Navigating Changing Expectations

As AI technology advances, client expectations are evolving. Maxime observed, "Clients are increasingly demanding more from AI. They expect continuous improvements and new features, driven by the rapidly expanding capabilities of AI." This shift in expectations reflects a broader trend where consumers anticipate more sophisticated and responsive technological solutions. Véronique concurred, noting that clients are eager to explore new possibilities.

"The challenge is to meet these expectations while managing resource constraints. We leverage existing AI solutions and customize them to fit specific client needs," she explained. This approach helps balance the demand for innovation with practical considerations, ensuring that clients receive tailored solutions that meet their unique requirements.

Balancing AI with Human Touch

The face-to-face nature of the automotive industry means that even with advanced AI tools, human interaction remains essential. Véronique emphasizes the importance of design in presenting data in a way clients can understand and act upon.

"It's not just about delivering data; it's about providing actionable insights that clients can use to make informed decisions," she said.

Maxime discussed how QUOTUS features intuitive dashboards that provide real-time, customized reports. "We aim to enhance engagement by delivering tailored insights that help clients make strategic decisions quickly," he noted.

This focus on user experience ensures that clients can easily interpret and act on the information provided, bridging the gap between data and action.

The Future of AI in Automotive Dealerships

Looking ahead, both Maxime and Véronique are excited about the future possibilities of AI. Véronique envisions a future where data entry and analysis are seamlessly integrated, making intelligence accessible to all dealers.

"Our goal is to make financial information and insights easily accessible and actionable for everyone," she said. This vision reflects a commitment to democratizing access to advanced analytics and making sophisticated tools available to a broader audience.

Maxime added, "The future is engagement. We're focused on creating tools that provide information and also foster deeper interactions with clients. By combining AI with strategic insights, we will transform how dealerships manage and grow their businesses." This emphasis on engagement highlights the importance of building strong relationships with clients and providing value beyond basic data analysis.

The integration of AI into automotive retail is driving significant changes, enhancing efficiency, accuracy, and strategic decision-making. As DSMA and QUOTUS continue to innovate, the focus remains on leveraging technology to deliver valuable insights while maintaining the personal touch that defines the industry. By balancing advanced technology with human expertise, these leaders are shaping the future of automotive dealerships, ensuring they remain agile and competitive in an ever-evolving landscape.

The journey towards fully integrating AI into dealership operations is just beginning. With each advancement, the potential for AI to transform the industry grows, offering new opportunities for efficiency, insight, and growth. As dealerships navigate this transformation, the collaboration between technology and human expertise will be crucial in driving success and achieving lasting impact.



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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.

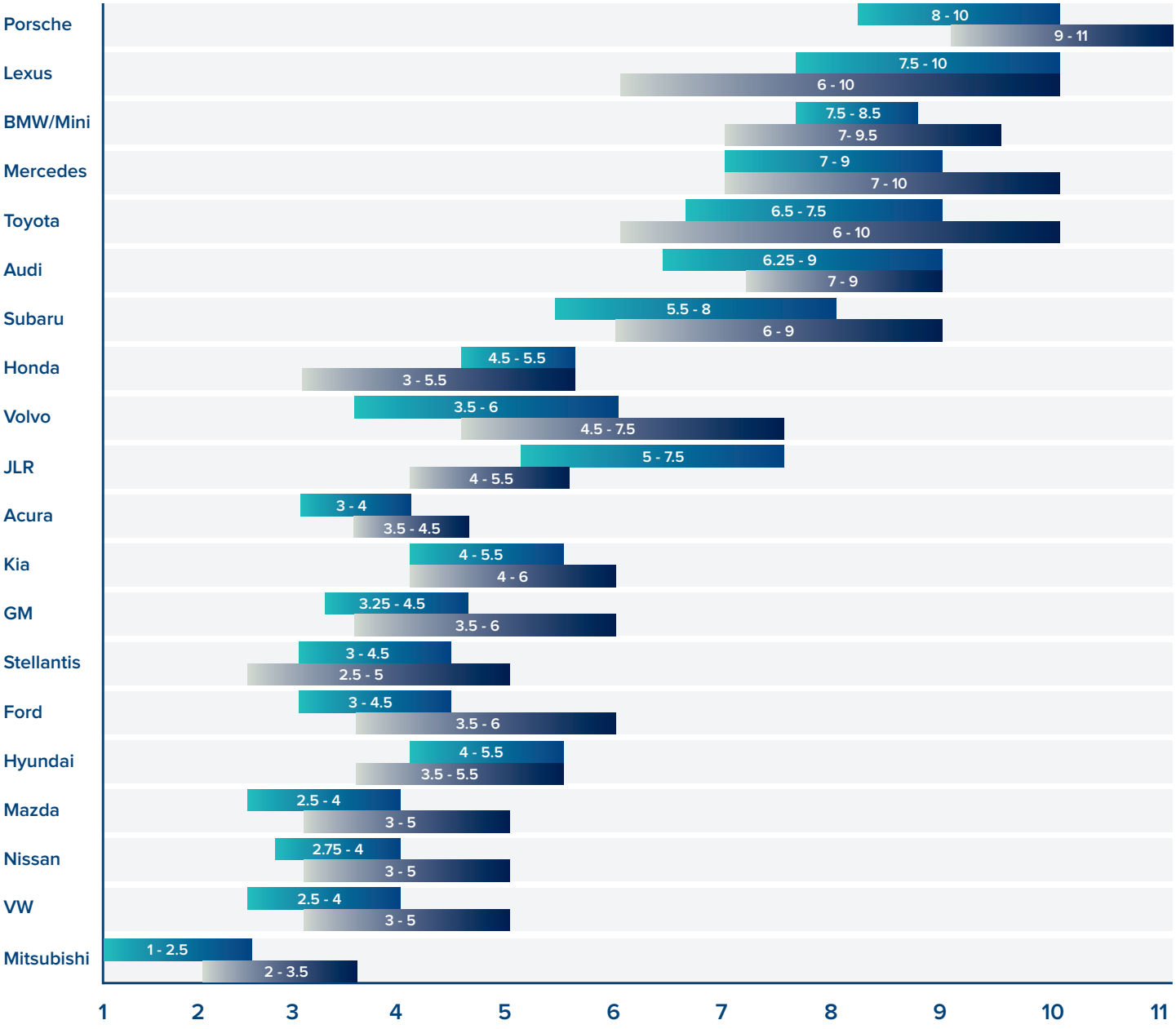
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U.S. Multiple CAN Multiple

Multiples shown are of Earnings Before Tax (EBT).
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.



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