DealersEdge®

SPECIAL REPORT

THE FORCES SHAPING DEALERSHIP VALUES TODAY

JULY 9, 2026

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Today's session is timely, as dealership profitability continues to normalize, franchise values shift, and the buy-sell market evolves.

Alan Haig, President of Haig Partners, shared the latest trends affecting dealership values, what franchises are gaining or losing momentum, and examined current M&A activity.

He also discussed the potential impact of Chinese OEMs entering the U.S. market, and outlined what buyers and sellers should watch for as they make strategic decisions in today's changing environment.

In this workshop, Alan Haig, President of Haig Partners, provided an in-depth look at the forces shaping dealership value. Drawing on current buy-sell activity and market trends, he explained what's driving valuations higher for some franchises while creating new risks and challenges for others.

Key Takeaways:

- Dealership Performance Update
- Key Buy-Sell Trends
- Chinese OEMs & Implications for the U.S. Market
- Look Ahead & What Franchises to Buy

Alan Haig has more than 30 years of experience advising automotive retailers and is one of the industry's most respected experts on dealership valuations, mergers and acquisitions, and market trends.

Under his leadership, Haig Partners has facilitated the purchase or sale of more than 590 dealerships and has represented 31 of the top 150 dealer groups in the country, more than any other firm.

The M&A boom that dealers experienced over the past four years has been exciting and lucrative.

But, things are now returning to more normal valuation levels,

Some brands managed to eke out gains while others saw steep collapses from tariffs and EV headwinds, and in many cases, a combination of both.

So even though things feel tough today, it's important to keep in perspective that in absolute terms we're still doing significantly better than before the pandemic.

Dealership M&A volume is up ~50% YoY, led largely by private buyers, with Blue-Sky values still strong (up 112% since pre-pandemic) despite cooling from peak.

Toyota, Porsche (mid-large), and Sunbelt markets remain hot.

Audi, VW, and small Porsche stores struggle amid rising real estate costs and pickier buyers.

Nissan/Stellantis show turnaround signs but face valuation gaps.

Heavily subsidized, EV-strong but geopolitically distrusted Chinese automakers pose a growing threat.

Australia's experience shows what could happen in the US.

Chinese brands (BYD, MG, Chery) are taking Australian market share from traditional dealers, eroding profits and Blue-Sky values as well as raising national-security and market-disruption concerns.

Nissan and Stellantis stores are selling well above their market-share weight, signaling that some owners are giving up on them.

Buick GMC is underrepresented suggesting that dealers want to keep those stores.

Brand value depends on attributes like momentum, product pipeline, EV exposure, U.S. production vs. tariff impact, throughput, pricing trends, and dealer tenure.

Blue-chip picks are Toyota, Lexus, BMW, Mercedes.

Undervalued franchises are Honda, Kia, Mazda.

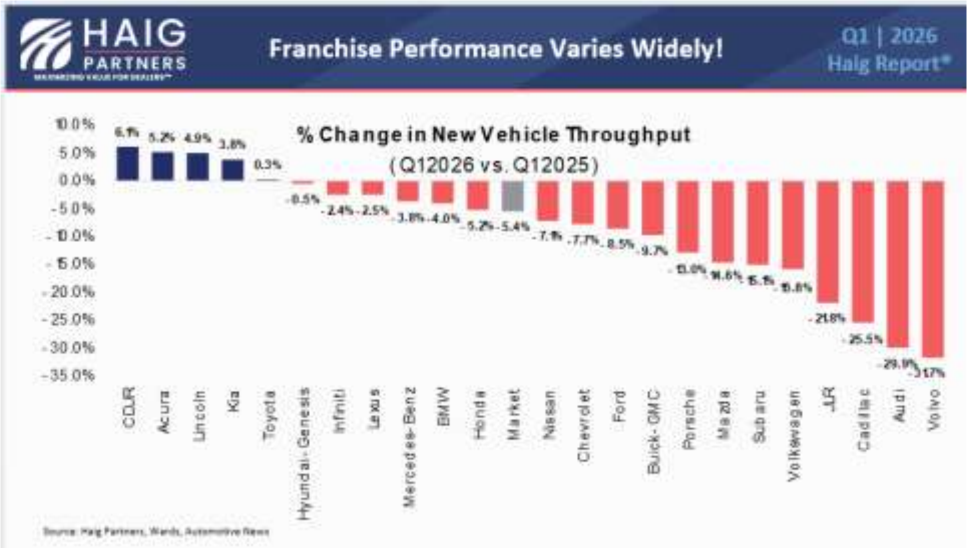
Turnaround/high-risk plays are Nissan (recovering), Stellantis (improving lineup, big investment), and Audi (cheap but risky, no U.S. production, weak product line).

Blue-Sky values are trending downward.

A recent Cox Automotive report showed nearly all key economic indicators in negative territory, echoing poll results showing that more respondents expect profit declines than expect gains.

Alan warns that absent policy changes on the macro level, auto retail's long run of strong performance may experience a tougher back half of the year.

DEALERSHIP PERFORMANCE UPDATE



The M&A boom that dealers experienced over the past four years has been exciting and lucrative.

Things are now returning to more normal valuation levels, but last quarter was, frankly, a bloodbath. Though it's worth noting that it was compared to a strong first quarter last year, when buyers were rushing to purchase vehicles ahead of new tariffs and the elimination of EV subsidies.

So, we're comping against a tough baseline.

Still, some brands managed to eke out gains. Stellantis and Acura, for example, landed in the "good guy" column, growing nicely despite an overall market decline of 5.4%.

On the other end of the spectrum, several brands saw steep collapses, as Audi, Volvo, Cadillac, JLR, and Volkswagen all posted double-digit declines.

Some of this stems from tariffs, some from EV headwinds, and in many cases, a combination of both with Audi being a good example.

The Audi brand leaned heavily into EVs and was left without compelling ICE or hybrid options, forcing it to scramble to catch up.

Many dealers feel like gross profit has disappeared.

But the numbers we're showing here include all the incentives and other money that factories provide to dealers for selling their vehicles.

And that money often doesn't show up on the gross profit line, it shows up as other vehicle income instead.

When all sources are factored in, dealers are still making a decent front-end gross profit of about $2,900 per new vehicle sold.

That's consistent with where things ended last year.

However, with sales a bit stagnant right now, we're likely to see some continued decline in these grosses going forward..

On the used side, we've seen a surprising compression in gross profits.

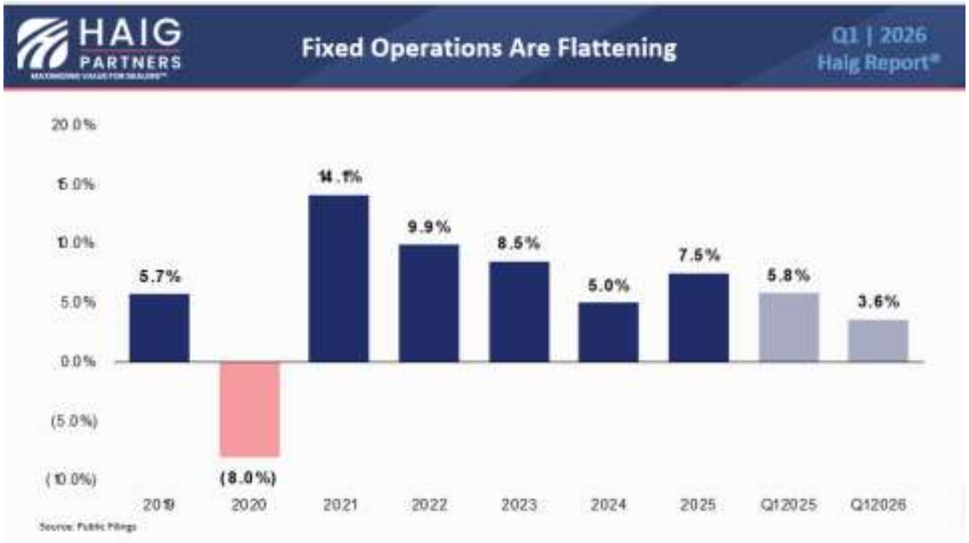
Competition is fierce, from auto retailers, independents, and players like Carvana and CarMax, and everyone is trying to offset the decline in new car business by offering customers more affordable vehicles.

The profit per car is not that different from 2019 but on a margin basis, it's lower.

Dealers used to get a 6.5% margin on used cars, and now they're struggling to hit 5.7% and has become a major focus in auto retail.

F&I profits are really tracking the purchase price of new and used vehicles and for the last four years have been pretty consistent in that $2,500 - $2,600 category.

We don't see much change unless the price per vehicle changes because that's what you're financing and that's what you're insuring.



Fixed operations has been a significant tailwind for dealers over the past five years.

As new vehicle supply struggled to keep up with demand and vehicle prices climbed, many customers opted to repair and service their existing vehicles rather than buy new ones.

That shift created a big lift in fixed operations, which is one of the most lucrative parts of our industry, driving mid-to-high single-digit growth for the past three to four years.

But in the first quarter of 2026, that growth slowed to just 3.6%, roughly the rate of inflation over the same period last year.

In real dollar terms, that means that Fixed Ops was essentially flat compared to last year.

This is a bit concerning since declines in the service lane are on top of softness in new and used vehicle sales.

When you factor in all these departments and their performance, dealers essentially went sideways in Q1 2026 compared to last year.

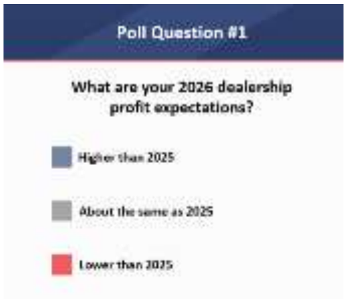
Looking at the trailing 12 months ending in Q1 2026, dealers are sitting right around $4 million per location.

While that's below the pandemic peak, when dealers were close to $7 million per location, they are up 90% in absolute profit terms.

And they are up 63% on a profit-per-store basis when adjusted for inflation when compared to 2019 pre-pandemic.

So even though things feel tough today, it's important to keep in perspective that in absolute terms we're still doing significantly better than before the pandemic.

Overall, there's still a lot to be pleased about in auto retail.



Attendees were asked to weigh in about their 2026 profit projections and the results were:

☞ **18%** said Higher than 2025

☞ **45%** said About the same as 2025

☞ **36%** said lower than 2025

Alan observed that the results roughly match what he is hearing from his clients.

For example, a dealer who runs 70 stores said that their profits are up this year compared to last year and mostly credited it to their focus on used cars.

Another CFO for a large dealership group noted that things are staying about sideways as higher grosses and stronger fixed operations are offset by creeping expenses.

Contractual costs like real estate and health insurance are especially problematic.

As contracts expire, the renewals come in at noticeably higher prices and they're having to run RFPs with other vendors just to bring costs back down.

As one manager put it, "we're having to work harder to make the same money."

KEY BUY – SELL TRENDS

Some of the key buy-sell trends we're seeing right now.

Transaction Volume Is Up Significantly

On the positive side, transaction volume is up a lot from the first quarter of last year.

That said, Q1 of last year was artificially low because it followed the presidential election.

For a deal to close in Q1 2025, it would likely have needed to be negotiated back in Q4 2024, during the election itself.

Since that would affect their capital gains tax rate, many sellers were waiting to see who would become president before deciding to sell.

Similarly, some buyers were holding off until they knew what regulatory environment they'd be operating in.

Once the election results were in, the buy-sell market took off, and last year turned out to be a strong year for dealership M&A.

This year we're seeing the same pattern with the year-to-date transaction volume up about 50% compared to this time last year.

Not Every Brand Is Benefiting Equally

That's not to say everything is rosy across the board.

Some franchises, like Toyota and Lexus, have grown in value because their product pipeline and dealer relations are well-suited to current market conditions.

Other brands, however, have dropped significantly in value.

Audi is a good example and their steep decline in new vehicle sales has hurt their goodwill value.

CARB Rollback Boosted Values In Affected States

When the new administration came in, one of its first moves was to eliminate California's exemption for its own air quality standards (CARB).

Fourteen other states had adopted the CARB creating a major risk factor for buyers and dealers in those states.

Once that requirement was eliminated, dealership Blue-Sky values in those states rose noticeably.

Buyers Are Getting Pickier

As the overall market has gotten tougher with new car sales under pressure, margins shrinking, and expenses creeping up, buyers have become fussier.

During the pandemic, almost every dealership in the country was profitable.

And dealers had so much extra cash that they'd buy into brands they'd never owned before, sometimes stepping outside their home market to do it.

Now that conditions have tightened, some of those dealers have realized those weren't their best decisions.

So today, when buyers are looking to acquire, they're being much more deliberate about getting the right brand in the right market.

That means Alan’s team has to work harder to put deals together to find that "Goldilocks" dealership that matches exactly what a buyer is looking for.

Values Have Cooled From Their Peak, But Remain Strong

During the pandemic, dealership Blue-Sky values more than doubled.

Some buyers decided not to purchase at the peak, choosing instead to wait for the market to settle out.

And we’re now seeing that wait and see strategy play out.

Alan doesn’t expect values to collapse, but they have come down somewhat from their peak.

Keep in mind that since profits are still roughly double what they were before the pandemic, Blue-Sky values are likely to stay around twice historical norms.

The last five years have really been a boom time for auto retail dealership sales.

Before the pandemic, we were seeing roughly 300–350 stores trade hands per year, but that number more than doubled, for example in 2021, we saw 727 stores change hands.

Public Companies Pulled Back After A Big Buying Spree

The publicly traded groups bought heavily in 2021 because they had a massive amount of cash, were confident that the next four or five years would be strong for the industry and bought aggressively.

Since then, they've been more cautious.

Today, roughly 90% of M&A activity is led by privately owned dealership groups.

2025 Volume Is Tracking Well Ahead Of Last Year

Looking at the first five months of 2026, Haig Partners sold 243 stores, up significantly from 180 stores over the same period last year.

At this pace, they’re on track to sell somewhere in the range of 550–600 stores total this year.

Public M&A activity has remained fairly limited. AutoNation, Group 1, and Penske have all made acquisitions, but nowhere near the scale of the privately owned groups.

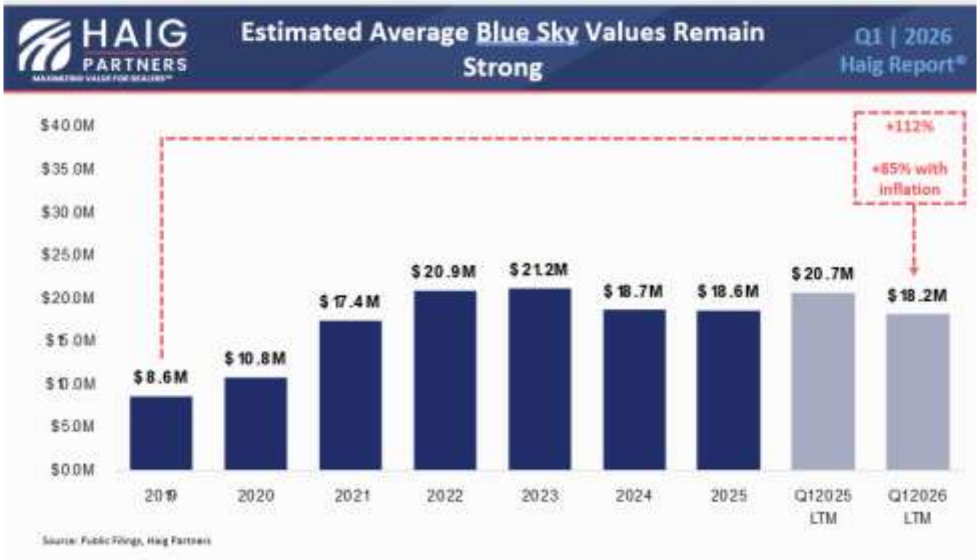
That's largely because public companies often choose to deploy their capital toward stock buybacks instead of acquisitions.

What This Means For Private Buyers

For those considering making an offer on a dealership that's for sale the reality is that they will rarely compete against a publicly traded company.

Buyers are much more likely to be competing against another private buyer.

So, if it's an asset you want, Alan’s advice is to participate in an auction or sale process because there's a good chance you'll end up winning.



Average profits per store are up 94% from where we were before the pandemic and Blue-Sky values have kept pace.

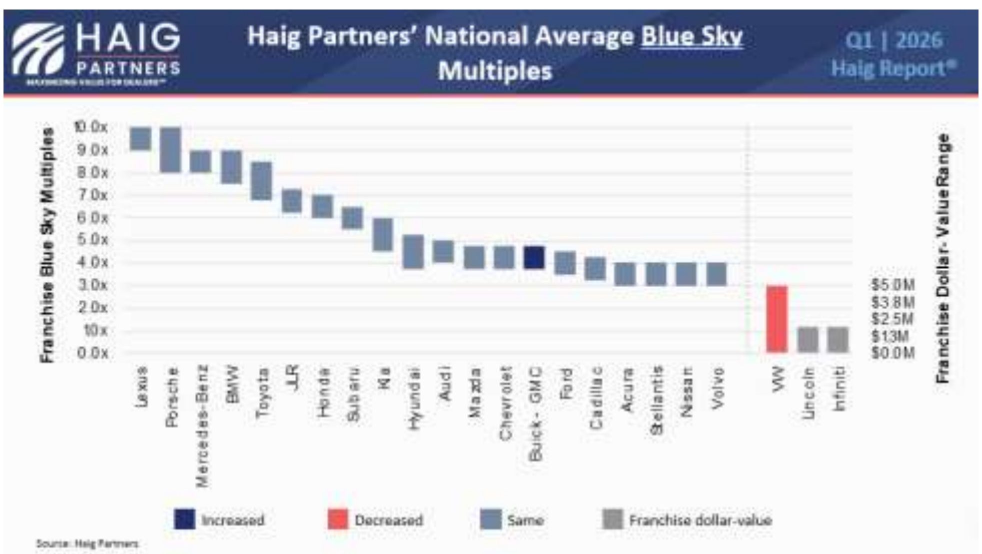
Blue-Sky is up 112% over the same period, or 85% when adjusted for inflation, so by any measure, Blue-Sky values remain very strong.

That said, this could shift.

Macroeconomic factors like earnings pressure, high interest rates, high unemployment, low GDP growth, etc. could dent buyer confidence and, in turn, dealership valuations.

But so far this year, we haven't seen any significant degradation in dealership values.

So, for those considering selling, conditions remain quite favorable.



Blue-Sky Value Trends By Franchise

Every quarter, Haig Partners tracks their estimate of average Blue-Sky value for the major franchises across the country.

For many years, luxury brands and Toyota have held the highest multiples, and that trend continues.

That said, there's variation within this group.

For example: mid-size to large Porsche stores are still very much in demand and buyers are still paying a premium for mid-to-large market stores.

Smaller Porsche stores, however, face challenges, because Porsche is requiring buyers to invest in new facilities which dealers with limited car allocation find harder to justify.

While that dynamic puts some downward pressure on Blue-Sky for smaller stores, dealers overall remain confident that Porsche will bounce back as a strong brand.

A Few Adjustments This Quarter

Haig Partners has only made a couple of changes so far this year.

They decreased the value of Volkswagen stores.

Even though many of them are no longer profitable, they can still command Blue-Sky.

However, Alan believes they're trading less on a multiple of earnings and more on future value.

So, his team has shifted them off a Blue-Sky multiple and onto a flat Blue-Sky value range of $0–5 million.

They also slightly increased the value of Buick GMC stores because profits per store is ticking up nicely.

Their inventories are in line, dealers are earning strong profits with notably higher grosses than their Chevrolet peers.

Market Conditions Are Getting Tougher Across The Board

The market is getting tougher for buyers and sellers alike.

Dealers are seeing somewhat lower profits and are having a harder time in their core business, which means less cash and less confidence when making offers.

For the first time in years, we're seeing a meaningful number of money-losing stores come onto the market.

When that happens, it can actually be harder for a highly profitable store to command a top price because a buyer might reason, "Why pay a premium for that profitable store when I could buy the broken one down the street and fix it myself for less?"

A Turnaround Is Underway At Nissan And Stellantis

On a more encouraging note, we're seeing a turnaround in the Nissan and CDJR (Chrysler, Dodge, Jeep, Ram) franchises.

Management teams at both companies are making good decisions.

They are introducing lower-priced products that customers actually want to buy and they're taking a more dealer-friendly approach that focuses on dealer profitability.

The challenge is that sellers of Chrysler or Nissan stores see these improvements and want to be paid for tomorrow's value, not yesterday's.

That expectation gap can make it difficult to get a deal done with buyers who aren't yet pricing in the turnaround.

Real Estate Costs Are Putting Pressure On Blue-Sky Value

Another major trend is that real estate costs around dealerships are climbing fast, especially when renovations are involved.

If a dealer needs to put up a new Porsche or Audi building, or refurbish a Honda store, they're finding construction costs have jumped significantly.

Steel prices, for example, have risen sharply as companies like Amazon and Anthropic compete for the same materials to build fulfillment and data centers.

That competition for resources is driving up building costs across the board.

During the pandemic, rent expense as a percentage of gross profit dropped to around 5%. Today, we're seeing that figure at 8%, 10%, 12%, even 15% in some cases.

As real estate costs rise, they increasingly compete with, and suppress, Blue-Sky value.

A Call To Manufacturers

We're encouraging manufacturers to recognize how heavy a burden real estate has become for retailers, and to ease up on requirements to upgrade facilities.

In many cases, these investments are a poor use of capital.

They don't drive higher sales or better customer satisfaction, but they do drive up costs such as insurance, maintenance, taxes, and more.

That's cash flow dealers could otherwise put toward training, advertising, and other growth investments.

There's also a real (if harder to quantify) cost during the renovation process itself.

Many dealerships already have constrained lot sizes, so building a new showroom or renovating an existing one often means sacrificing customer parking or vehicle display space, creating disruption that makes it difficult to run normal business operations.

What's Selling Well Right Now

Single-point Toyota stores are in especially high demand, and owners will be flooded with interest.

The same goes for single-point Mercedes, Honda, and Subaru stores.

These leading brands continue to attract strong buyer interest, and anyone who already owns one of these brands wants more of them.

Metro stores also continue to draw a lot of attention and even stores in single-point markets do well, as long as they generate average or above-average volume that makes it much easier to attract and retain top talent.

The Sunbelt Is A Hot Expansion Target

We're seeing significant interest from dealers looking to expand into the Sunbelt, stretching from Arizona and Nevada through to the Carolinas and Virginia, including states like Tennessee.

These markets are attractive for several reasons:

- They're business-friendly
- Low tax
- High growth
- Real estate is more affordable.
- Less litigation risk compared to some other markets.

As a result, dealerships in these areas are trading at a premium.

Keep in mind that the Blue-Sky multiples we've discussed represent a national average.

Sunbelt markets are consistently commanding multiples above that average.

What's Hard To Sell

Small Porsche stores that require facility upgrades are a tough sell.

It's difficult to make the economics work and still command strong goodwill value.

For now, we're hoping Porsche will reconsider its facility requirements for smaller stores, because as it stands, the numbers just don't pencil.

Audi is another brand in flux. They make wonderful products, and for years it was a strong franchise, but recent decisions have cost them significant market share.

So far, they don't appear to have taken that message seriously enough to work with dealers on reducing facility costs and improving profitability.

Even Strong Performers Can Struggle If Their Overall Brand Is Weak

Surprisingly, highly profitable Stellantis or Nissan stores can also be hard to sell.

Haig Partners was engaged to sell a Nissan store generating $7 million in profit, and we had a hard time getting what we considered a fair offer.

That is because there are so many struggling Nissan stores on the market and buyers could just go acquire a store making little to no money for a fraction of the price.

So, it's often difficult to get a strong multiple on a high-performing store when its brand peers are underperforming.

Small-Town Markets Present Their Own Challenges

Small-town markets with lower-multiple brands can also be difficult to sell.

Buyers naturally ask themselves: who's going to run this store if I acquire?

It can be hard to convince a strong operator to relocate from a market like Charlotte, Dallas, or Phoenix to a small town that lacks the schools and amenities that they're looking for.

Real Estate Costs Can Sink A Deal

This ties back to the real estate issue.

Earlier this year, Haig Partners sold an Audi store with a magnificent facility, but it was probably about 50% larger than it needed to be.

The buyer acknowledged the facility might appraise at $35 million but couldn't justify paying rent on a building that size.

In the end, the dealer had to sell the business at a real estate value somewhat below appraisal just to get the deal done.

That was a tough outcome for our client, but ultimately it's what the market would bear.

The bottom line is that if you're dealing with a lower-performing brand paired with an oversized or overly expensive facility, it's very difficult for a buyer to make the deal work without some discount on real estate.

Chinese OEMS & Implications For The U.S. Market

When polled about their view on Chinese OEMs entering the US auto market, the attendees distribution produced these results:

- 0% believe that they should embrace it
- 44% have no strong opinion
- 55% say they pose too great a threat.

To better understand what impact China's entry into the US might be, it is useful to start with some history.

A History Of New Entrants In The U.S. Auto Market

Looking back, our industry has seen waves of new entrants for almost 100 years.

European brands arrived first, with most major manufacturers establishing U.S. distribution in the 1950s, following World War II.

Next came a wave of Japanese brands like Honda, Toyota, Nissan, Mazda, and others.

Then, in the 1980s, 90s, and 2000s, Korean brands: Hyundai and Kia, and Genesis entered the market.

Ultimately, I think these waves of new entrants benefited consumers.

Customers gained from access to far more choices such as more luxury options and more fuel-efficient options, etc. that simply didn't exist when the market was dominated by brands like Ford, Chevrolet, and Dodge.

Each new entrant expanded what the U.S. market had to offer.

How Dealers Adapted To New Entrants — And What's Different This Time

As these new brands entered the market, since they offered different products that appealed to different customers they each took share from the domestic manufacturers.

Some like standalone Oldsmobile, Buick, or Pontiac dealerships lost ground and many of those brands lost so much that they disappeared entirely.

But dealers adapted and if business was declining, they could raise their hand for a Honda, Nissan, or Mazda franchise and recapture some of that lost volume.

Overall, the growth of the total market meant that auto retailers didn't really suffer from the introduction of new brands and if anything, they benefited.

More brands meant more choices, which expanded the market and drove more overall buying activity.

The question now is, will China's entry into the U.S. market follow that same pattern?

Why Some View China Differently From Past Entrants

In the minds of some, Chinese automakers are fundamentally different from the entrants we've seen in the past.

Nearly all of these companies have received massive subsidies from the Chinese government to:

- Start the companies
- Build factories
- Hire and train workers
- Source materials and ship vehicles

China's auto production capacity far exceeds domestic consumer demand, so these manufacturers need to sell vehicles outside China to remain viable.

These brands were designed not just to serve the domestic market, *but specifically to export*.

Limited Differentiation, But Real EV Strength

It's not clear that Chinese brands are bringing significant new features or benefits to U.S. consumers.

We've heard about some promising new technologies like their battery technology, which is quite strong but overall, they're not as differentiated as past entrants.

When Porsche arrived, it introduced a small sports car that simply didn't exist in the U.S. market.

When Mercedes arrived, it introduced meticulously engineered vehicles built to last decades — something else that didn't really exist here.

What differentiates Chinese brands is their EV technology, an area where U.S. brands are comparatively weak.

That creates a real risk, since a significant number of price-sensitive customers could gravitate toward these brands simply because they're inexpensive.

There's also a possibility they could emulate Tesla and sell directly to consumers rather than establishing a traditional franchise network.

National Security Concerns Are Part Of The Conversation

Legislators are concerned about risks to the US supply chain and auto workforce and potential National security breaches from connected vehicles collecting sensitive data and potential misuse of autonomous vehicle features

Some of this may sound like science fiction, but the underlying concerns are real, and the government may have more visibility into data collection practices than the general public does.

A Different Kind Of Competitor

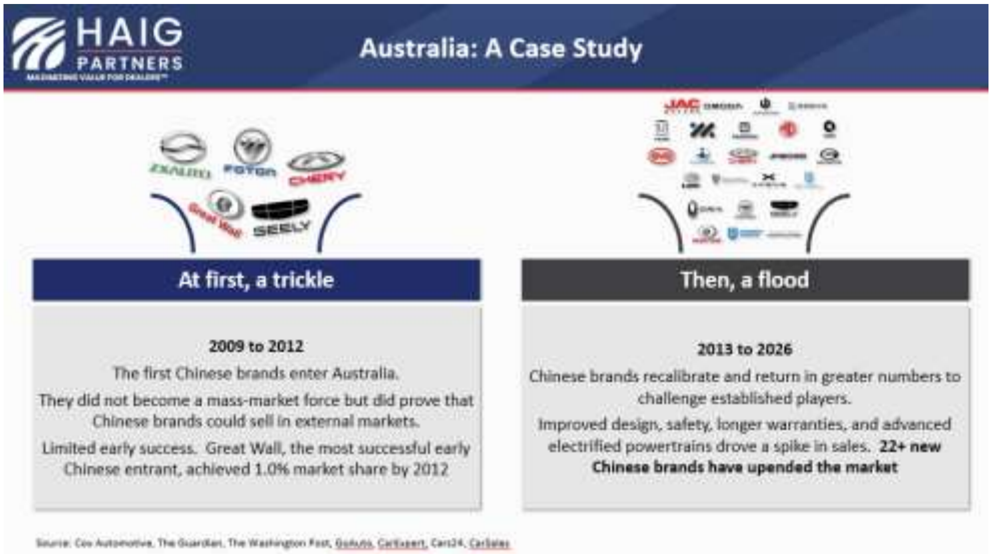
Ultimately, this feels different from past waves of foreign entrants.

We never viewed Germany, Korea, or Japan as geopolitical rivals but rather as close U.S. allies.

China, by contrast, clearly isn't viewed as an ally, and that distinction is what sets this moment apart from previous eras of foreign brands entering the U.S. market.

Case Study

The Australian market is very much like that of the US, except on a smaller scale



Lessons From Australia: A Preview Of What Could Happen Here

Haig Partners has friends in Australia who run a dealership group, and they related their experience with Chinese brands already in their market.

At first, there were just a handful of Chinese brands in the Australian market.

Our friends, who operate about 14 stores carrying brands like Honda, Toyota, Ford, and Chevrolet, took on some of these Chinese brands as well.

Initially, they liked them, the cars sold in decent numbers, margins were solid, and consumers responded well.

But Chinese OEMs didn't take much market share, in part because quality, fit, and finish weren't yet on par with the traditional brands.

<u>Then things changed.</u>

Over the following decade, more Chinese brands entered the market, quality improved, prices declined and they started taking real market share.

This expanded the overall Australian market somewhat, but it also came at the direct expense of traditional brands.

When this dealer group was asked what that meant for their Blue-Sky values and profits, the answer was blunt… *profits at their traditional stores suffered badly*.

They were selling fewer units at lower grosses, so their new vehicle departments got crushed, raising real questions about whether some of those franchises remain sustainable businesses going forward.

As a result, Blue-Sky values for traditional brands took a real hit.

That said, it's not obvious that Chinese brands are winning big volume yet.

Part of the issue is fragmentation.

With so many brands, it's hard for consumers to know which ones will stick around.

There are stories of manufacturers producing a model for a short run, then moving on to a new one, leaving no spare parts for vehicles sold just a year or two or five years earlier.

Leaving customers high and dry when they need repairs and dealers can't get the parts.

That's not good for consumers and becomes a BIG customer service and reputational problem.

Overall, it's been very disruptive to the Australian market and if you asked that dealer group whether they're glad Chinese brands entered, they'd say “NO” because the value of their business has declined.

Would Chinese Brands Follow The Franchise Model In The U.S.?

This raises the question: if China enters the U.S., what would that look like?

- Standalone dealerships?
- An addition to existing franchises?
- A direct-to-consumer model like Tesla's?

Honestly, nobody knows, so it could be any of these.

People who've done business in China often say it's difficult to negotiate contracts there, and that renegotiation tends to begin the moment a contract is signed.

It's a different cultural approach to business than we're used to in the U.S, so even if a Chinese automaker agrees to a franchise system today, there's no guarantee the terms will hold in the future.

Chinese-owned brands do already exist in the U.S.

Volvo, for example, is owned by Geely, a major Chinese automaker, and Polestar (also Geely-owned) is currently in the process of pulling out of the market.

But Volvo is manufactured in Europe and South Carolina, not mass-produced in China and it operates more like a traditional, established brand rather than an aggressive new entrant.

The newer wave of Chinese brands entering markets like Australia is different and with reportedly around 200 Chinese automakers, they're fighting for survival.

That number isn't sustainable and it's going to be a brutal shakeout.

A handful of strong brands will rise to the top, while many others fail.

If a dealer ends up with one of the winners, that could work out well.

But if they end up with one of the brands that fails, it could be a real problem.

Either way, the broader market will feel the impact.

Could There Be A Silver Lining?

A common concern is that China will "flood the market" sending over enough inexpensive vehicles to dilute profitability across the industry.

But there could be an upside too if traditional automakers recognize the competitive threat.

They could respond by building more affordable vehicles and better EVs for U.S. consumers i.e. vehicles that charge faster, last longer, and cost less.

That kind of competitive pressure could benefit the market without necessarily devastating the existing dealer base.

Why China Has An EV Edge

China's strength in EVs is closely tied to its broader energy strategy.

China invested heavily in renewable energy like solar and wind in part to reduce dependence on imported oil and gas.

That strategic shift pushed China to pivot early and aggressively toward electric vehicles.

Historically, traditional automakers held a clear technological edge in internal combustion engines, simply from decades of experience refining them.

Chinese manufacturers didn't have comparable expertise.

A Great Wall vehicle with a traditional gas engine can't stand up to the Toyota counterpart and consumers would notice.

But as China pivoted toward EVs, it leapfrogged U.S. and European automakers in electric vehicle capability, batteries, motors, software, and more.

That timing has become complicated as the current U.S. administration has pulled back from EV mandates, canceling subsidies and rolling back fuel-efficiency requirements.

A future administration could reverse that again, requiring more EVs and higher fuel efficiency standards.

If U.S. automakers haven't kept pace on EV technology by then, they could suffer a real disadvantage relative to Chinese competitors.

It's a genuinely complicated situation, and there's real sympathy to be had for automakers here.

Retailers largely just sell what customers want to buy.

Automakers, on the other hand, are contending with tariffs, trade wars, and shifting fuel-economy and electrification standards, a far more complex set of pressures than retailers face in trying to turn a profit.

All of this illustrates the kind of impact Chinese brands have already had on other markets and what could be coming.

Australia is a smaller market, but it has the same type of franchise system we have.

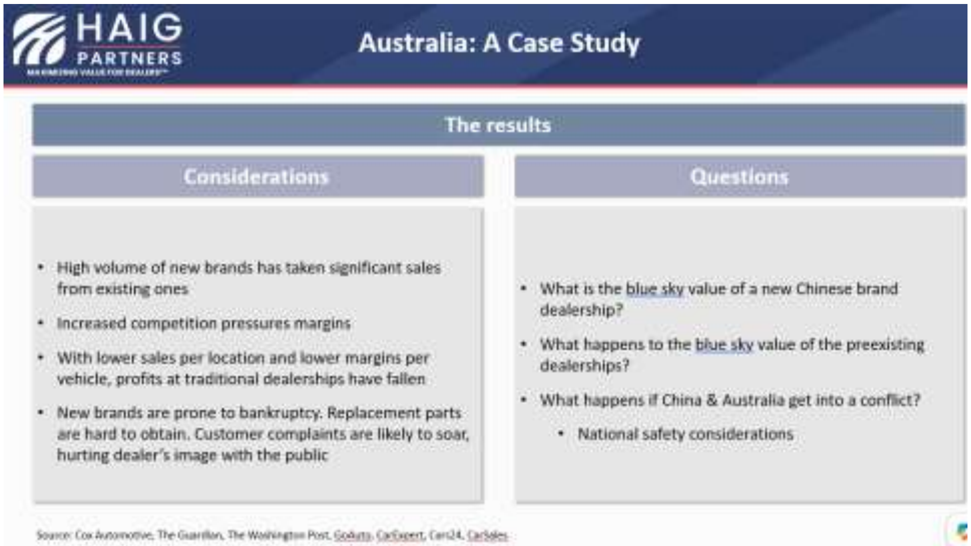
If you think about BYD, Great Wall, MG, and Chery all those brands have taken share of other brands that aren't even on the screen anymore.

For example, in June 2025 BYD surpassed every major automaker except Toyota, so it's not like a little niche business.

And they've displaced other major brands, including Tesla, which is our leading EV automaker.

So, it's a real threat in a market that's not too dissimilar to ours.

And the owners of the franchises for those displaced brands aren't very happy.



Even leading brands have been harmed as higher competition is putting pressure on front-end grosses for dealers.

The value of those traditional auto retail brands has been significantly impacted as lower grosses and lower sales are having a compounding negative effect on dealership profits.

So, we ask ourselves: if you want to grow in Australia, what do you do?

- Do you go out and buy things?
- Do you just hope to be given franchises?
- Are you given the good ones?
- Is there a total reshuffling of the deck?
- Is auto retail still a good business once this market share shift ends?

Will the traditional brands get more competitive, or will they just get wiped out or retreat into small niches like full-sized trucks, perhaps, where internal combustion leaders like General Motors and Ford can still thrive?

And if Australia allows its market to get taken over by Chinese brands, what happens if there's a conflict?

Is there some piece of software deep in Chery's operating system that tells the car to turn off in a conflict or worse, tells it to attack?

These are a bit science fiction, but they're a possibility I think policymakers like Senator Marino have considered when proposing legislation to limit the importation, sale, and distribution of Chinese-made or Chinese-backed vehicles within the United States.

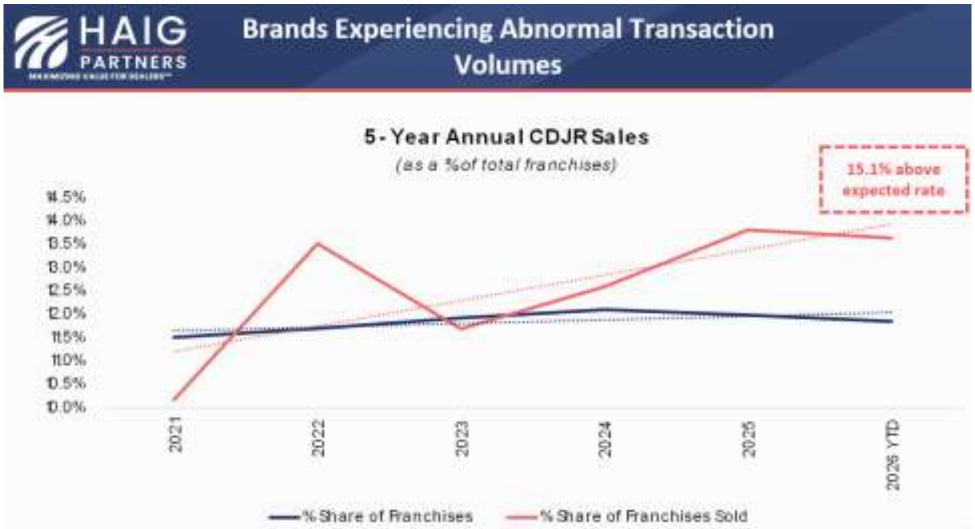
A LOOK AHEAD & WHAT FRANCHISES TO BUY

We spent a fair amount of time at the beginning of the presentation looking back but if you think about where people should be investing their capital, what they really care about is the future.

It's okay to buy a stock that's low if you think it's going to get stronger and maybe you avoid one that's high if you think it's going to get weaker.

We've done some analysis and tracked the performance of certain brands.

And we'll start with Chrysler.



There have been a lot of Chrysler buy-sells in the market over the last few years, as many owners have given up on these franchises because they were performing very poorly.

This graph shows the national market share of Stellantis stores around 12% of total dealerships.

But Stellantis dealerships account for about 15% of buy-sells.

So, we're seeing them sell at a higher rate than their market share would suggest, which to us is evidence that people are giving up on them.

On the other hand, for something to sell, somebody has to buy it, which suggests that there's some opportunistic buying going on within the Stellantis dealership network.

Nissan's the same way and we're seeing Nissan stores trade 30–37% higher than what we'd expect given their percentage of total dealerships in the United States.

So, there's been even more people giving up on Nissan stores than on Stellantis stores in the last couple of years.

When asked whether the number of open points from Nissan and Chrysler is driven by dealers giving their franchises back to the OEM, Alan noted that he is aware that some Nissan dealers have terminated their franchises.

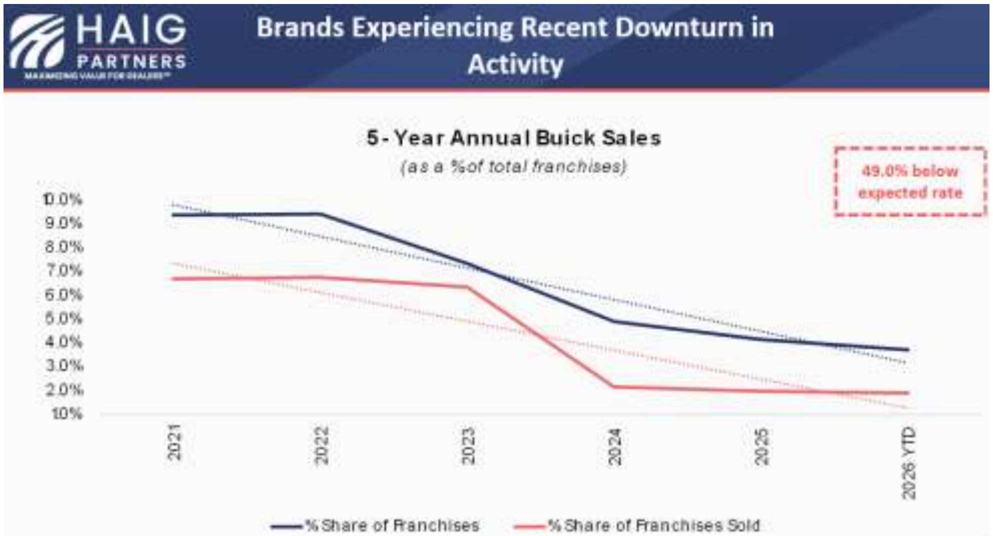
He is hoping that Nissan will keep some of those closed rather than reissue them, which is what Mazda did because that would mean demand is spread across fewer rooftops, and it really helped improve brand value.

Fewer dealerships per customer means higher profits; higher profits mean better staff and better locations; and all of that means a better experience for customers.

But he’s also aware that when a Nissan dealership closes, Nissan tries to find somebody else to take the point.

Alan is not aware of Stellantis franchises being returned.

He is aware of stores closing in rural areas since they are the hardest to sell when the owner wants to retire, precisely because sales are so low though.



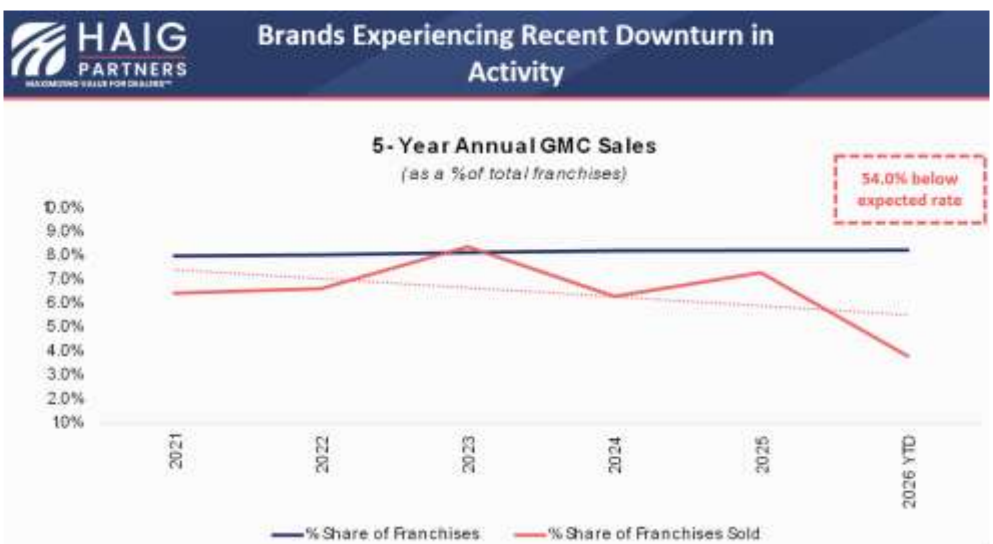
Buick GMC is actually the opposite.

Haig Partners has raised Buick GMC as a multiple because people that have these stores are increasingly liking them and they don’t want to give them up.

If they do give them up, they have to get a really strong price, and most buyers are not used to paying strong prices for Buick GMC stores.

So, we've seen that Buick stores are underrepresented by about 50% from what we would expect given the number of dealerships they have as a percentage of the total.

At only 54% below the expected rate, the same can be said for GMC.



Alan's third poll question asked: *"Are you a buyer, seller, or holder in 2026?"*

- **Buyer:** 28%
- **Hold:** 42%
- **Seller:** 28%

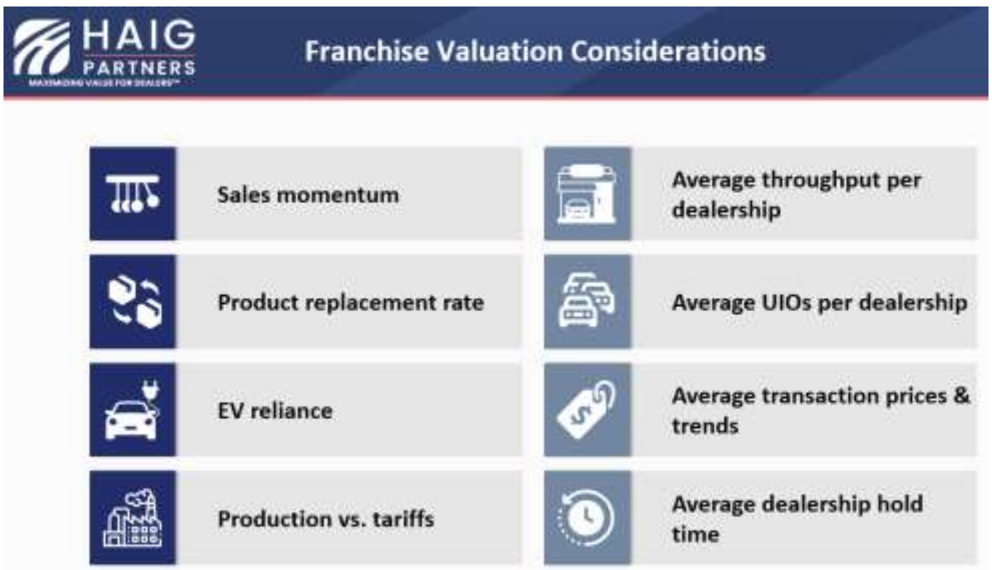
For those of you who are buyers, I hope you'll contact me after the webinar to let us know what type of opportunities you're looking for.

For those of you considering a sale, we'd love to talk with you as well. We can give you an idea of what your business would be worth if presented to buyers in a competitive process.

That said, there is a higher percentage of sellers than we normally see, which may be an indication that this strong market is going to continue.

So, What Do You Want To Buy?

There are many factors that go into how brands will perform in the future.



- Sales Momentum.

  A body in motion tends to stay in motion. If a company is growing now, it's likely to continue growing.

- Product pipeline.

  Does the brand have a lot of hot products coming in key segments? That's a good indication, at least in the near term, that sales will stay strong.

- EV exposure.

  How heavy has the brand been on electric vehicles?

  Cadillac is a good example: the Escalade is by far its best product, and the brand had developed strong EVs that were selling well. But now that EV subsidies are gone and Cadillac doesn't have much ICE-based product in the pipeline, how will it perform?

- Production location.

  Audi has zero production in the United States, so it will continue to face significant tariff impact.

  Compare that to Toyota, which has a decent amount of U.S. production, or Ford, which has a lot of its production here so both should have a relative cost advantage over peers without a U.S. production base.

  That's a positive because lower prices generally mean more sales.

- Average throughput per dealership.

  Higher sales generally mean more profits and more profits mean a better-quality workforce and tend to keep getting more attention.

- Average units in operation.

  Similar to throughput because more units in operation means a bigger opportunity for fixed-operations profits.

- Average transaction prices and trends.

  If a manufacturer is lowering the price per vehicle, that's probably a good sign that sales will grow.

  We saw the opposite with Stellantis, which was raising prices faster than inflation and to no one’s surprise was a good predictor of the sales decline that followed.

- Dealer tenure.

  How long do people hold onto these stores?

  Dealers get a feel for which brands are hot and which franchisors are good to work with.

- If someone holds onto a dealership for a long time, that's usually the kind of dealership someone else would want to own.

  Lexus stores, many have been owned by the same dealer for close to 40 years, going back almost to when the brand launched.

  That makes it an excellent brand to own.

  Brands like Nissan that people give up on more easily may be more challenging.

- On the other hand

  Alan talked to one dealer who is genuinely excited about a brand, based on factors like sales momentum, product replacement, and production versus tariff exposure.

So, there are a lot of factors that go into recommendations for dealers considering acquisitions.

And there are different types of dealership buyers, some only want the best of the best, even if they don’t offer the highest return on investment.

Brand Opportunities

Blue Chip Opportunities

On the left side of the page are Blue chip opportunities, brands like Toyota, Lexus, BMW, and Mercedes.

These are manufacturers we believe are making good decisions on product, pricing, quality, and their attitude toward dealers.

Mercedes, for example, brought in a new management team about a year and a half ago, and it's made a significant difference in dealer optimism who believe that Mercedes is going to increase sales and offer more compelling products going forward.

Blue Chip brands command a high multiple, but they offer a high degree of safety, prestige, and are generally a bit easier to operate than some other brands.

Undervalued Opportunities

Some brands we think are undervalued:

- **Honda**

  Struggled to produce vehicles during the pandemic, which means there's probably more pent-up demand for Honda products than almost any other brand.

  Sales are increasing nicely, new car day supply is low, and gross profit per unit is solid.

  But the multiple isn't especially high; Honda just doesn't get the same attention as Toyota.

- **Kia**

  Has grown strongly since before the pandemic.

  Product quality is excellent, design is strong, and the brand is pro-dealer.

  If a dealer performs well and is aggressive, Kia will keep supporting them with more product.

  That's not true of every brand and a Chevrolet store in a rural market, for instance struggles to get more inventory to grow sales.

- **Mazda**

  Has impressed us for the last seven years or so.

  They reduced the number of Mazda dealerships so the remaining base could sell and earn more.

  They also have a recent tie-up with Toyota that gives them access to Toyota Financial Services for financing and insurance products, a real luxury that many other brands covet.

If you want a strong brand without paying the absolute highest price, these are the ones to focus on.

Turnaround / High-Risk, High-Reward Opportunities

Some buyers want a turnaround opportunity and a chance at a high return on investment in exchange for additional risk and hard work.

- **Nissan**

  Is a turnaround we believe has happened or is happening.

  Retail sales are up (with a corresponding pullback in fleet sales), and the manufacturer now sets targets for dealer return on sales.

  Sentiment on Nissan is more optimistic than it's been in a long time, and it's currently possible to buy a Nissan store at a very low price.

- **Audi**

  Is more of a gamble since they have no U.S. production, and their product line, partly from overfocusing on EVs, hasn't been as competitive with peers in recent years.

  Store values have dropped significantly as a result.

  However, Audi is still a premium luxury brand behind BMW, Mercedes, Lexus, and others.

  So, if you believe the Volkswagen Group, one of the largest automakers in the world, can turn things around, buying a German luxury franchise at a low price could be an opportunity.

- **Stellantis**

  Has shown signs of a turnaround over the last four to six quarters.

  They've lowered prices per vehicle, they're releasing some interesting vehicles, and they have roughly $60 billion in new product investment coming.

  Quality remains a challenge as it always has been for the old Chrysler Corp, but Stellantis is still a major player with a strong lineup of full-size trucks and SUVs.

  You can buy one of their dealerships today for less than a comparably sized Ford or GM franchise.

Bottom Line

- **Blue chip buyers:** the brands on the left won't surprise you.
- **Value-focused buyers:** look at Honda, Kia, and Mazda.
- **Risk-tolerant buyers:** consider Nissan, Stellantis, and possibly Audi.

CONCLUSION

The trend for Blue-Sky value is downward.

Cox Automotive put out a report a few weeks ago showing that all but one of their key economic indicators like lower interest rates, greater consumer confidence, an end to the war, getting gas prices back down to around $2 a gallon were in the red.

And the first poll in this workshop seemed to bear that out because more people expect profits to go down than up.

So, unless we see major changes, Auto Retail, which has been a high-flying sector for a long time, will not be immune to this trend.

Alan closes with the observation that it feels like performance may be more challenging for the rest of the year than it has been in the past.

Alan welcomes phone calls or e-mails and is happy to talk about the market.

A gratis copy of this presentation can be obtained by using the QR code on this screen.