

DEALERSHIPS

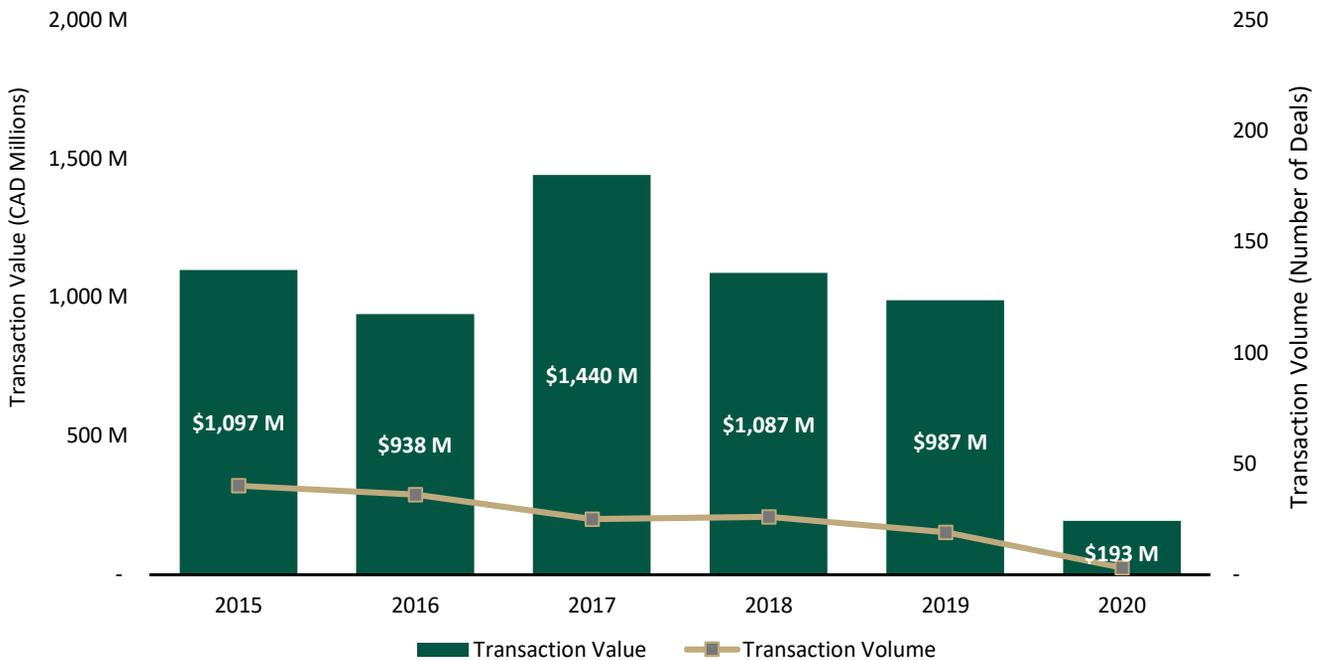
QUARTERLY UPDATE

Q2 2020

INDUSTRY OVERVIEW

M&A TRANSACTIONS AND PERFORMANCE

PUBLICLY DISCLOSED DEALERSHIP TRANSACTIONS (NORTH AMERICA)¹



M&A MARKET UPDATE – Q2 2020

AUTOMOTIVE

- Apparent trend of slowdown in transaction volume due to COVID-19.
- Dealership location, brand, and strength of management are playing increasingly important roles in valuation.
- As precautions surrounding COVID-19 continue, light vehicle sales have slowed with Q2 2020 sales down 45% over Q2 2019 totals.²

HEAVY TRUCK

- Fragmented marketplace presents an opportunity of M&A activity amongst independent dealerships.
- In the wake of economic uncertainty, US trailer orders to May 2020 have declined 71% year over year.³
- A weak Canadian dollar is impairing margin and performance of Canadian-based dealerships that source from the US.

AGRICULTURE IMPLEMENT

- Continued consolidation of remaining independent dealerships has contributed to a shrinking buyer pool which may balance out valuation multiples to fall in line with historical averages.
- June 2020 saw a strong rebound in the volume of unit retail sales in Canada for farm tractors and self-propelled combines, as these two segments posted year-over-year gains in June 2020 of 32.5% and 14.4%, respectively. Year-to-date unit retail sales in Canada are down 0.2% and 30.8% for farm tractors and self-propelled combines, respectively.⁴
- Accelerated consolidation amongst Case-IH and New Holland dealers, with a push at the OEM level for independent dealerships to sell. Valuations can vary significantly by location, size and historical performance.
- Implement dealership strength is tied to farm cash receipts and interest rates as opposed to consumer discretionary spending.

1: Capital IQ. Data as of June 30, 2020; SEC Filings via Haig Report.

2: AutoWatch, Desrosiers. June 2020 Market Watch.

3: ACT Research, U.S. Trailer Orders.

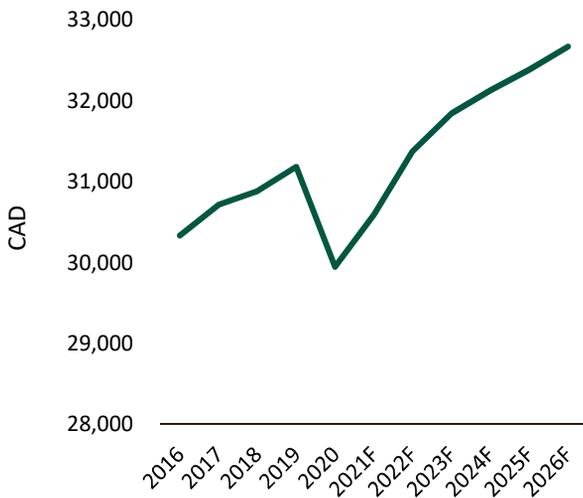
4: AEM Canada Ag Tractor and Combine Report, June 2020.

MACROECONOMIC INDICATORS

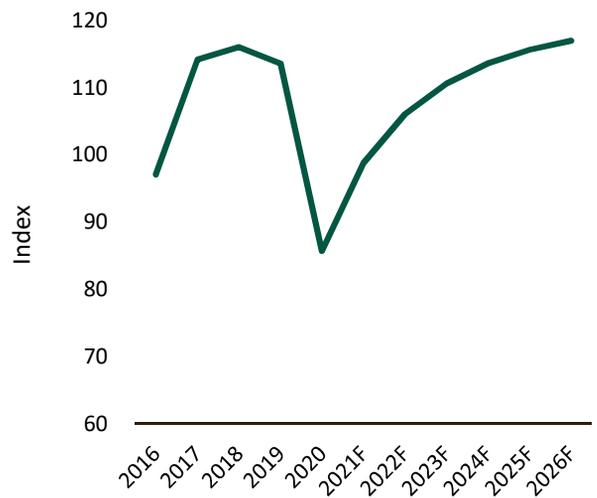
The key external drivers affecting the various dealership industries in Canada include: per capita disposal income, consumer confidence index, and interest rates.

Following a turbulent first half of 2020 due to COVID-19, key external drivers are expected to rebound over the forecasted period, with per capita disposable income expected to surpass 2019 levels by 2022. Forecasts are subject to change depending on the pandemic recovery and continued stimulus spending.

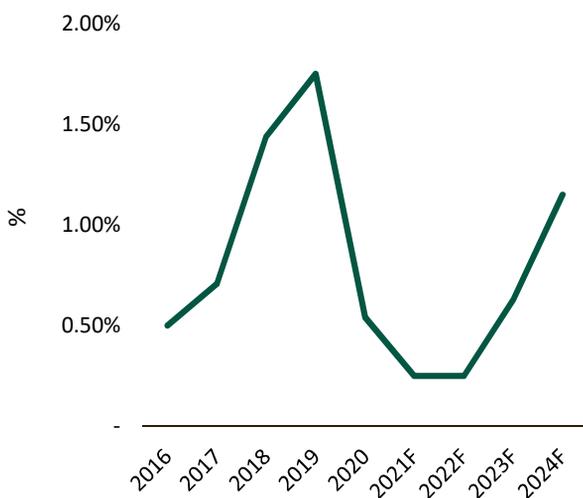
PER CAPITA DISPOSABLE INCOME¹



CONSUMER CONFIDENCE INDEX¹



OVERNIGHT RATE¹



GDP – CANADA¹



1: IBISWorld Industry Reports.
"F" indicates forecast.

SELECT RECENT M&A TRANSACTIONS



Acquired 4 dealership locations from



Location
Saskatchewan

Date
February 2020



Exclusive financial advisor to Robertson Implements in structuring and negotiating this transaction.

- Robertson Implements is a fifth-generation, family-owned New Holland agricultural equipment dealership group, proudly serving the Canadian prairies, with 11 locations across Saskatchewan and Alberta.
- Moody's is a New Holland agricultural equipment dealership group in Saskatchewan, established in 1966.

[Click here for more information](#)



acquired



Location
Alberta

Date
November 2019



Exclusive financial advisor to Universal Ford Lincoln in structuring and negotiating this transaction.

- Universal Ford has been serving Calgarians since 1945 and is one of the most successful Ford dealers in Alberta.
- Kaizen Automotive Group is an industry-leading auto dealer with locations in Calgary, Okotoks, Strathmore, and Fort McMurray.

[Click here for more information](#)



acquired



Location
Ontario

Date
March 2020

- Nors is a Portuguese-based private company that sells, rents, and services construction, infrastructure, mining and forestry equipment, trucks, busses, cars, and marine and industrial engines in 16 countries in four continents.
- Strongco Corporation is a major multiline mobile equipment dealer with operations across Canada. Strongco sells, rents, and services equipment used in diverse sectors such as construction, infrastructure, mining, oil and gas, utilities, municipalities, waste management, and forestry.
- This acquisition will expand Nors' global presence into the Canadian market, acquiring 26 branches across Canada.



acquired



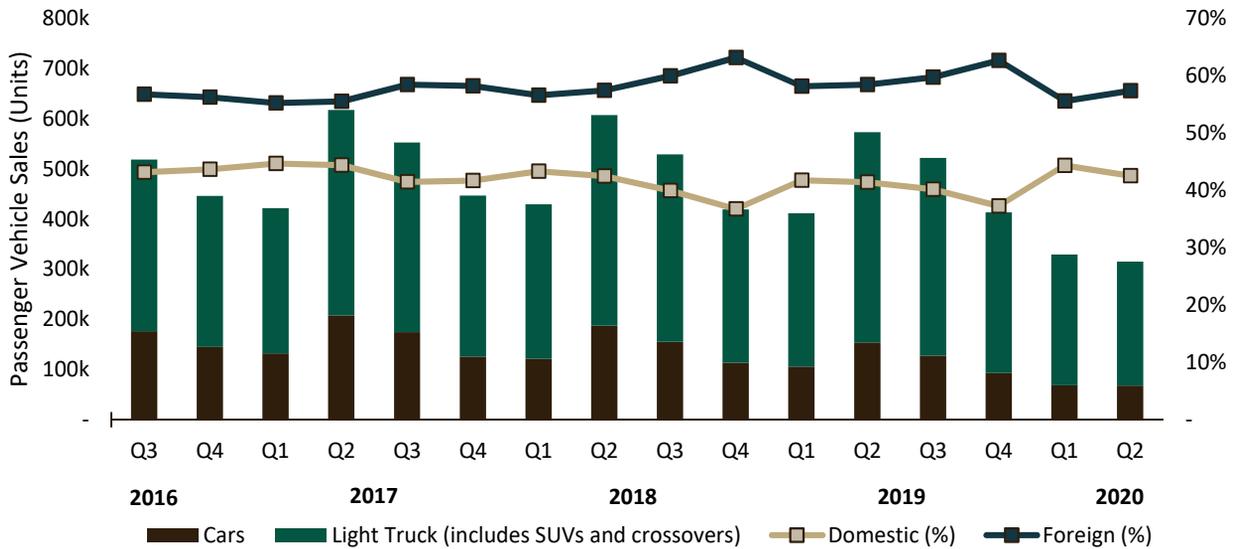
Location
Texas

Date
February 2020

- Steele Auto Group is the most diversified group of automotive dealerships in Atlantic Canada, with 41 dealerships selling 27 brands and an employee base of over 2000.
- Luling Chevrolet Buick GMC is new and used car dealership located in Luling, TX.
- This transaction allows the Steele Auto Group to expand its presence into the United States with its first dealership in Luling, TX.

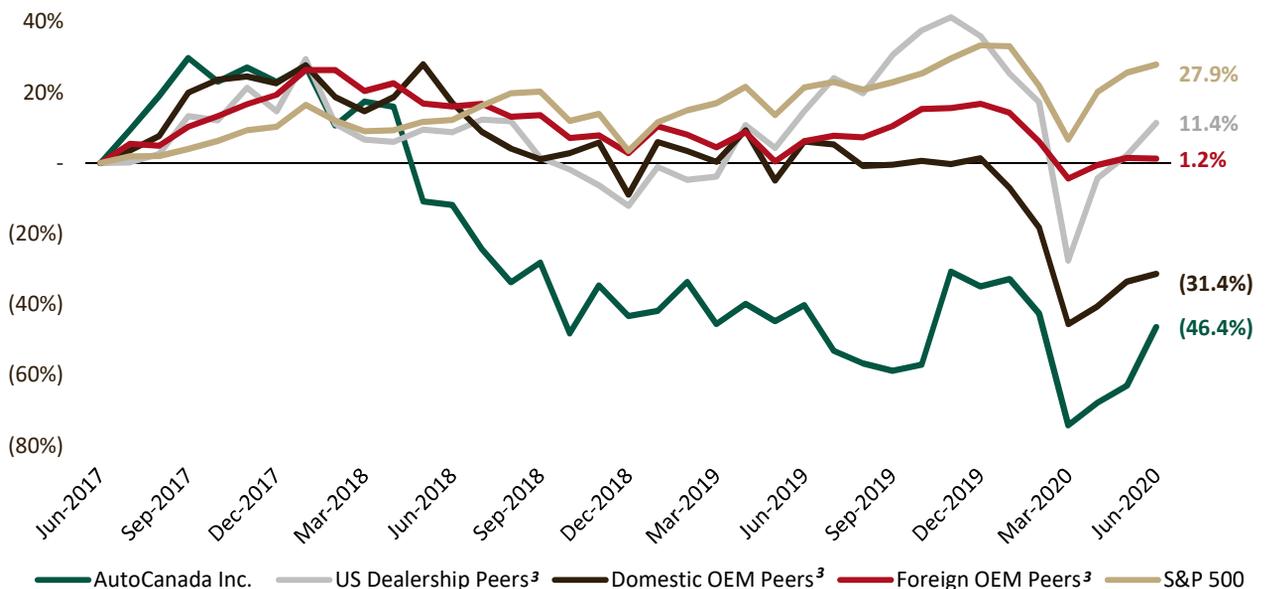
INDUSTRY SNAPSHOT – AUTOMOTIVE

CANADIAN PASSENGER VEHICLE SALES¹



Overall, Q2 2020 sales declined to 315,384 units, a 45% decrease compared to Q2 2019. Passenger vehicle sales were comprised of 78.6% light truck sales in Q2 2020, up from 73.1% in Q2 2019. The domestic vs. foreign brands sales mix remained relatively stable, with domestic brands' market share declining by 1.8% from Q1 2020 to 42.6%.

Three-Year Index Performance²



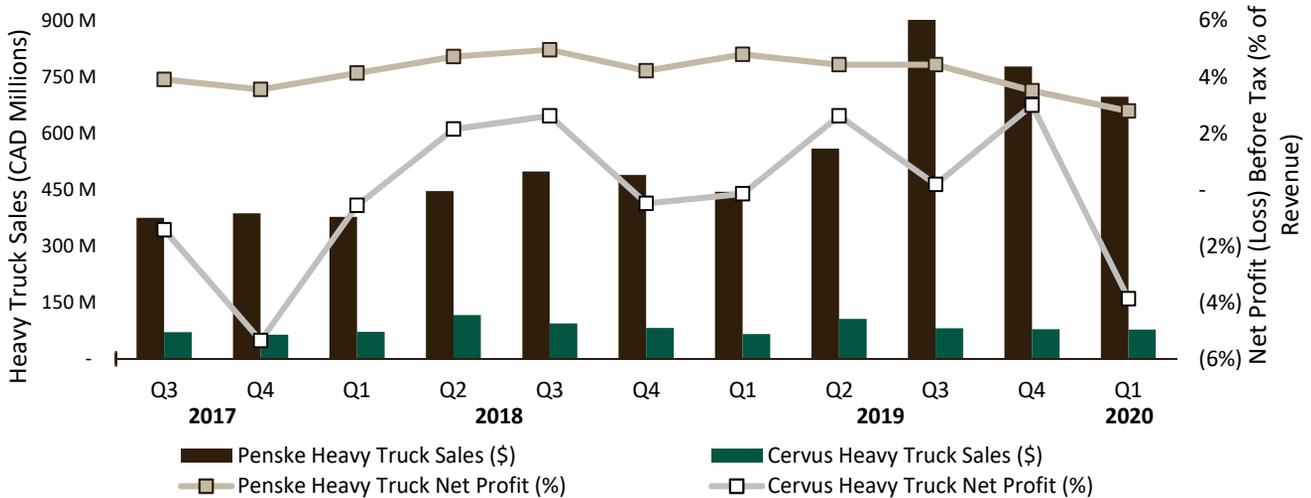
1: Desrosiers Automotive Consultants reports, July 2016 – June 2020.

2: Capital IQ. Data as of June 30, 2020.

3: **US Dealership Peers:** AutoNation, Group 1 Automotive, Asbury Automotive, Sonic Automotive, Lithia Motors and Penske Automotive. **Domestic OEM Peers:** General Motors, Ford, and Fiat Chrysler. **Foreign OEM Peers:** Toyota, Honda and Nissan.

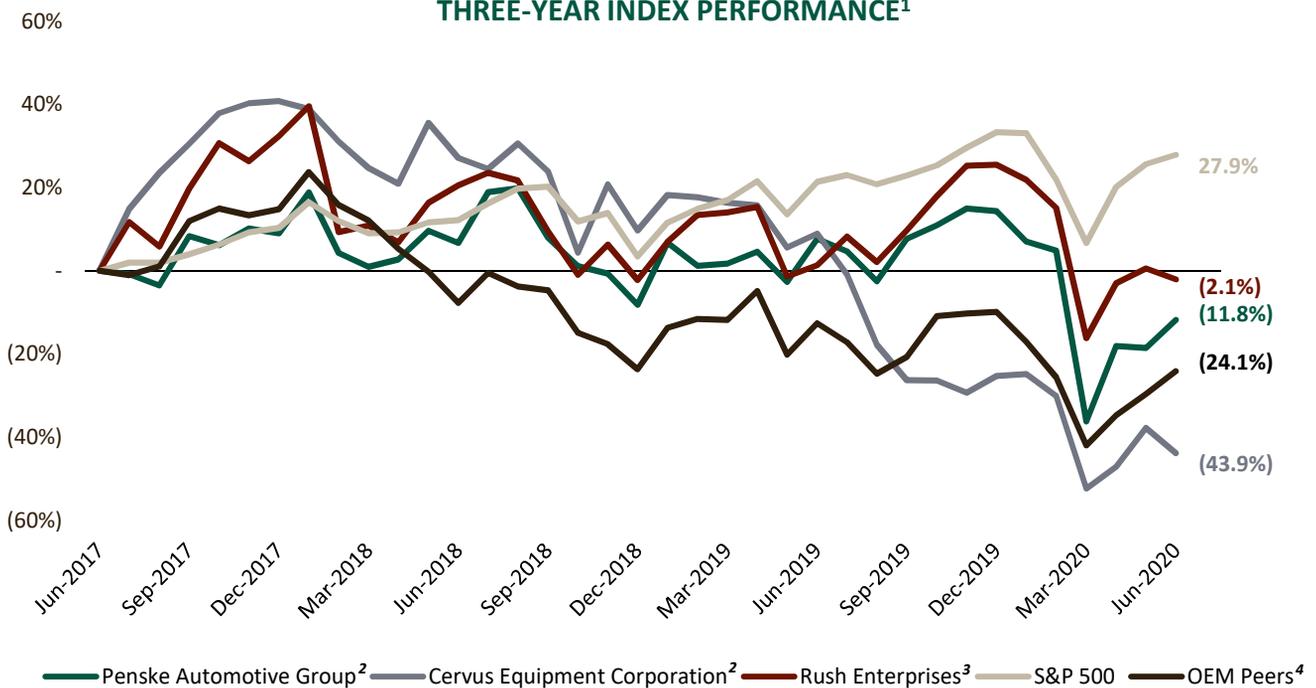
INDUSTRY SNAPSHOT – HEAVY TRUCK

PENSKE & CERVUS HEAVY TRUCK DIVISION PERFORMANCE¹



Penske Automotive Group (Penske) is a publicly traded, global dealership group. Cervus Equipment Corporation (Cervus) is a global agricultural, construction and heavy truck dealership group. Cervus generates approximately 25% of its sales from its heavy truck division. Heavy truck revenues and net profit margins have been isolated in order to gauge divisional performance as a metric for the industry in general.

THREE-YEAR INDEX PERFORMANCE¹



1: Capital IQ. Data as of June 30, 2020. Data for the Penske and Cervus heavy duty truck divisions for Q2 2020 was not updated by the time of the Q2 2020 report preparation.

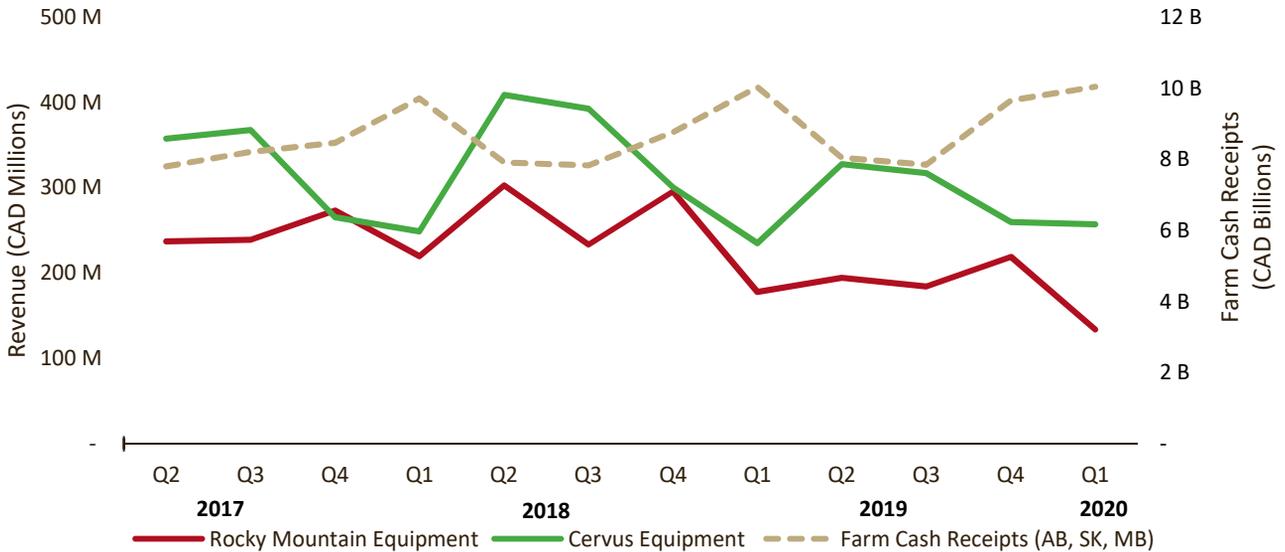
2: Penske and Cervus are both diversified companies, therefore the share price performances shown above are not inherently related to the performance of their heavy truck divisions.

3: Rush Enterprises is a retailer of commercial vehicles in the United States, primarily retailing new and used heavy trucks.

4: OEM Peers: Daimler AG (Freightliner, Western Star), AB Volvo (Volvo, Mack), Navistar (International) and PACCAR Inc. (Kenworth, Peterbilt). Page 6

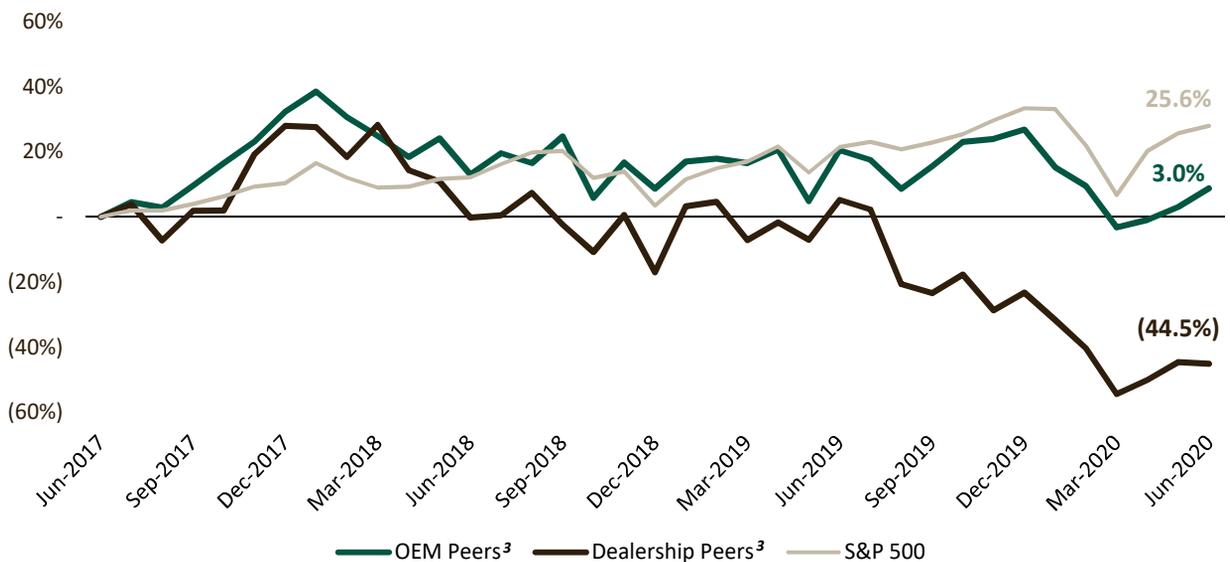
INDUSTRY SNAPSHOT – AGRICULTURE IMPLEMENT

REVENUE¹ VS. FARM CASH RECEIPTS² PER QUARTER



Farm cash receipts tend to be a lagging indicator of agriculture equipment sales. Farm cash receipts experienced essentially no year-over-year growth from Q1 2019 to Q1 2020, recording a 0.1% increase. In Q1 2020, Rocky Mountain’s revenues decreased by 24.7%, while Cervus’ revenues increased 9.4% for the same quarter year-over-year, respectively.

THREE-YEAR INDEX PERFORMANCE¹



*This information is not yet available beyond Q1 2020.

1: Capital IQ. Data as of June 30, 2020.

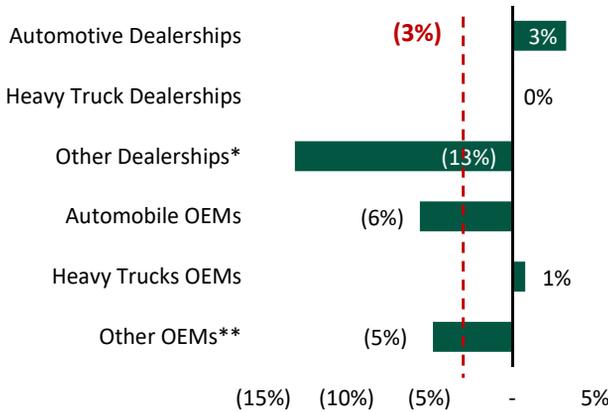
2: Farm cash receipts, quarterly – Statistics Canada.

3: **Dealership Peers:** Rocky Mountain Equipment, Cervus and Titan Machinery. **OEM Peers:** Deere & Company (John Deere), CNH Industrial (Case IH, New Holland), Kubota Corp., Caterpillar Inc. (CAT) and AGCO Corporation (Massey Ferguson).

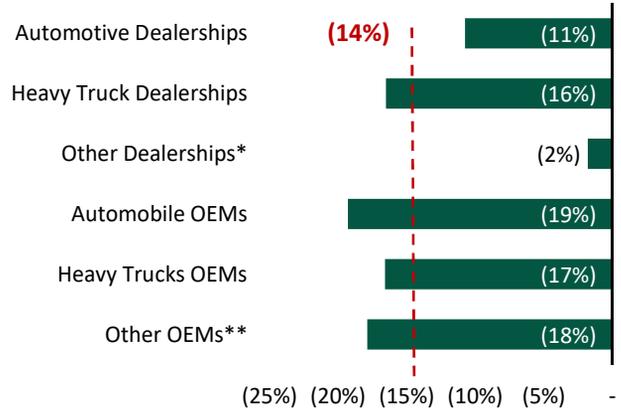
PUBLIC COMPARABLE ANALYSIS

GROWTH, MARGINS & MULTIPLES

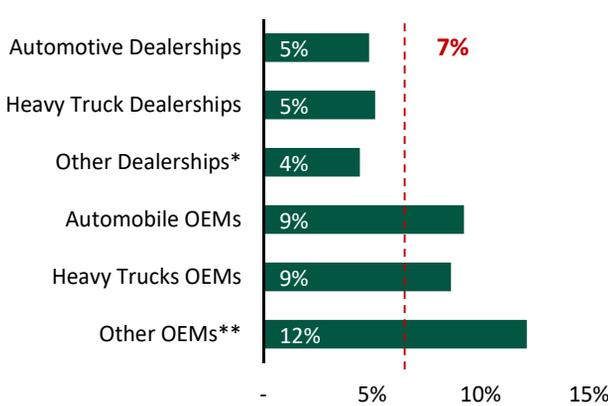
MEDIAN REVENUE GROWTH (LTM)



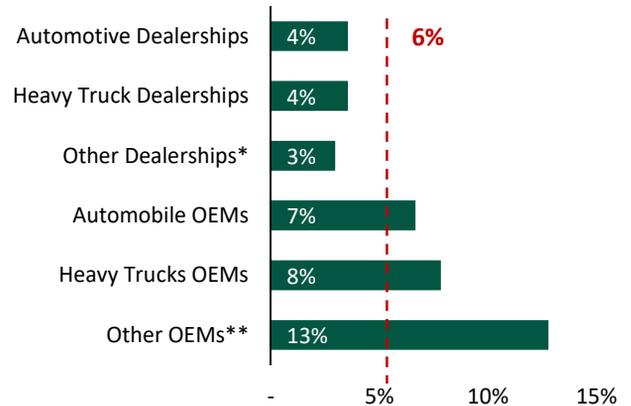
MEDIAN REVENUE GROWTH (NTM)



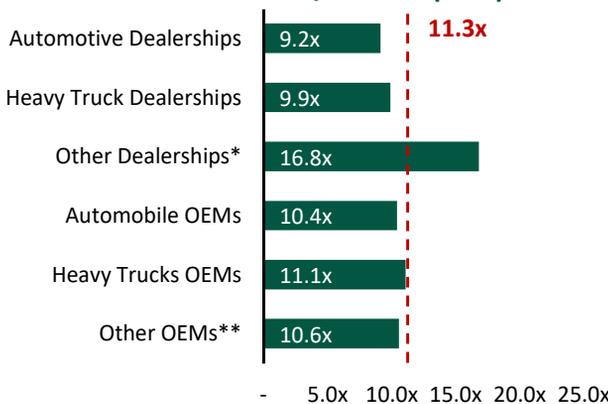
MEDIAN EBITDA MARGIN (LTM)



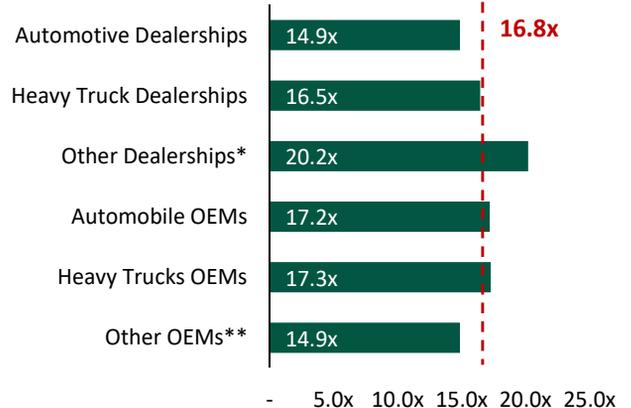
MEDIAN EBITDA MARGIN (NTM)



MEDIAN EV/EBITDA (LTM)



MEDIAN EV/EBITDA (NTM)



*Agriculture Implement / Construction Dealerships.

**Agriculture Implement / Construction OEMs.

Source: Capital IQ. Data as of June 30, 2020.

"LTM" refers to last twelve months. "NTM" refers to next twelve months.

Valuation details provided on page 9.

PUBLIC COMPARABLE ANALYSIS

TRADING MULTIPLES & OPERATING STATISTICS

(Figures in CAD Millions, except percentages and ratios)¹

CAD Millions	LTM Operating Figures						NTM Consensus Estimates			Valuation	
	Market Capitalization	Enterprise Value	Revenue	Revenue Growth	EBITDA	EBITDA Margin	Revenue Growth	EBITDA Margin	NTM EV/EBITDA	LTM EV/EBITDA	LTM EV/REV
Automotive Dealerships											
AutoCanada Inc.	\$294	\$1,821	\$3,446	5.4%	\$121	3.5%	(10.7%)	3.0%	20.1x	15.1x	.5x
AutoNation, Inc.	\$4,458	\$12,756	\$29,796	(0.5%)	\$1,452	4.9%	(14.7%)	4.1%	12.1x	9.2x	.4x
Group 1 Automotive, Inc.	\$1,570	\$6,204	\$16,905	3.3%	\$708	4.2%	(14.6%)	3.3%	13.0x	9.1x	.4x
Asbury Automotive Group, Inc.	\$2,029	\$4,451	\$10,130	3.0%	\$546	5.4%	(6.2%)	5.5%	13.0x	8.5x	.5x
Sonic Automotive, Inc.	\$1,863	\$5,379	\$14,703	4.4%	\$618	4.2%	(8.6%)	2.8%	14.9x	9.1x	.4x
Lithia Motors, Inc.	\$4,686	\$9,748	\$17,898	5.1%	\$974	5.4%	(9.1%)	4.2%	15.1x	10.4x	.6x
Penske Automotive Group, Inc.	\$4,237	\$15,687	\$32,068	0.1%	\$1,648	5.1%	(16.5%)	3.6%	19.5x	9.9x	.5x
Median	\$2,029	\$6,204	\$16,905	3.3%	\$708	4.9%	(10.7%)	3.6%	14.9x	9.2x	.5x
Mean	\$2,734	\$8,007	\$17,849	3.0%	\$867	4.7%	(11.5%)	3.8%	15.4x	10.2x	.5x
Heavy Truck Dealerships											
Penske Automotive Group, Inc.	\$4,237	\$15,687	\$32,068	0.1%	\$1,648	5.1%	(16.5%)	3.6%	19.5x	9.9x	.5x
Rush Enterprises, Inc.	\$1,962	\$4,025	\$8,148	2.4%	\$515	6.3%	(35.4%)	4.6%	16.5x	8.1x	.5x
Cervus Equipment Corporation	\$102	\$464	\$1,161	(13.1%)	\$27	2.4%	(1.8%)	3.0%	13.5x	16.9x	.4x
Median	\$1,962	\$4,025	\$8,148	0.1%	\$515	5.1%	(16.5%)	3.6%	16.5x	9.9x	.5x
Mean	\$2,100	\$6,725	\$13,792	(3.5%)	\$730	4.6%	(17.9%)	3.7%	16.5x	11.7x	.5x
Agriculture Implement / Construction Dealerships											
Rocky Mountain Dealerships Inc.	\$80	\$547	\$731	(27.5%)	\$32	4.4%	0.0%	2.8%	27.1x	16.8x	.7x
Cervus Equipment Corporation	\$102	\$464	\$1,161	(13.1%)	\$27	2.4%	(1.8%)	3.0%	13.5x	16.9x	.4x
Titan Machinery Inc.	\$324	\$981	\$1,857	3.2%	\$115	6.2%	(12.6%)	3.0%	20.2x	8.7x	.5x
Median	\$102	\$547	\$1,161	(13.1%)	\$32	4.4%	(1.8%)	3.0%	20.2x	16.8x	.5x
Mean	\$169	\$664	\$1,250	(12.5%)	\$58	4.3%	(4.8%)	2.9%	20.3x	14.2x	.6x
Automobile OEMs											
General Motors Company	\$49,250	\$183,148	\$191,451	(7.4%)	\$18,293	9.6%	(19.0%)	12.9%	9.1x	10.4x	1.0x
Fiat Chrysler Automobiles N.V.	\$21,471	\$23,092	\$162,418	(4.5%)	\$14,168	8.7%	(14.9%)	7.6%	2.2x	1.7x	.1x
Ford Motor Company	\$32,891	\$215,780	\$212,443	(5.6%)	\$13,023	6.1%	(26.1%)	3.4%	41.4x	17.3x	1.1x
Daimler AG	\$59,194	\$272,361	\$265,217	1.8%	\$12,797	4.8%	(11.6%)	6.7%	17.4x	21.7x	1.0x
Honda Motor Co., Ltd.	\$60,032	\$125,785	\$196,686	(6.0%)	\$19,729	10.0%	(19.3%)	6.2%	13.1x	6.7x	.7x
Nissan Motor Co., Ltd.	\$19,705	\$103,304	\$130,134	(14.6%)	\$12,014	9.2%	(21.5%)	1.6%	62.9x	19.0x	.8x
Toyota Motor Corporation	\$236,015	\$457,754	\$394,267	(1.0%)	\$58,432	14.8%	(20.6%)	8.5%	17.2x	8.2x	1.2x
Median	\$49,250	\$183,148	\$196,686	(5.6%)	\$14,168	9.2%	(19.3%)	6.7%	17.2x	10.4x	1.0x
Mean	\$68,365	\$197,318	\$221,802	(5.3%)	\$21,208	9.0%	(19.0%)	6.7%	23.3x	12.1x	.9x
Heavy Trucks OEMs											
AB Volvo (publ)	\$43,212	\$59,517	\$59,387	1.8%	\$6,633	11.2%	(14.4%)	12.6%	10.9x	8.8x	1.0x
Navistar International Corporation	\$3,817	\$9,340	\$13,311	(15.6%)	\$811	6.1%	(18.7%)	5.5%	17.2x	11.8x	.7x
PACCAR Inc	\$35,200	\$44,536	\$34,407	(0.2%)	\$4,446	12.9%	(41.9%)	9.0%	24.4x	10.4x	1.3x
Daimler AG	\$59,194	\$272,361	\$265,217	1.8%	\$12,797	4.8%	(11.6%)	6.7%	17.4x	21.7x	1.0x
Median	\$39,206	\$52,027	\$46,897	0.8%	\$5,540	8.6%	(16.6%)	7.8%	17.3x	11.1x	1.0x
Mean	\$35,356	\$96,439	\$93,080	(3.1%)	\$6,172	8.8%	(21.6%)	8.4%	17.5x	13.2x	1.0x
Agriculture Implement / Construction OEMs											
Deere & Company	\$66,878	\$124,370	\$51,866	(5.7%)	\$8,220	15.8%	(25.4%)	14.9%	21.4x	15.7x	2.5x
CNH Industrial N.V.	\$12,911	\$40,857	\$38,389	(7.8%)	\$3,307	8.6%	(21.3%)	5.2%	26.8x	12.9x	1.1x
Kubota Corporation	\$24,712	\$34,943	\$24,750	(1.2%)	\$3,243	13.1%	(3.4%)	13.0%	11.2x	11.2x	1.5x
Caterpillar Inc.	\$93,132	\$135,198	\$72,245	(7.9%)	\$14,208	19.7%	(23.4%)	13.6%	18.6x	9.9x	2.0x
AGCO Corporation	\$5,648	\$7,958	\$12,720	(3.9%)	\$1,287	10.1%	(13.8%)	7.1%	10.3x	6.4x	.7x
AB Volvo (publ)	\$43,212	\$59,517	\$59,387	1.8%	\$6,633	11.2%	(14.4%)	12.6%	10.9x	8.8x	1.0x
Median	\$33,962	\$50,187	\$45,127	(4.8%)	\$4,970	12.1%	(17.8%)	12.8%	14.9x	10.6x	1.3x
Mean	\$41,082	\$67,140	\$43,226	(4.1%)	\$6,150	13.1%	(16.9%)	11.1%	16.5x	10.8x	1.4x



Source: Capital IQ. Data as of June 30, 2020.

¹“LTM” refers to last twelve months. “NTM” refers to next twelve months.

ABOUT US



MNP Corporate Finance (MNPCF) has a dedicated team of over 60 merger, acquisition, and transaction professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

Our typical transactions range in value between \$3 million and \$300 million.

LOCAL & INTERNATIONAL REACH

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting and tax advisory services worldwide. We are also affiliated with Corporate Finance Cross Border, which consists of 150+ M&A professionals in more than 25 countries.



CFxB CFxBorder - Global Reach with Local Relationships
Our affiliation with CFxB consists of 150+ M&A professionals in more than 25 countries

SERVICES

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

RECENTLY CLOSED DEALS (NATIONAL)

EDMONTON PHARMACY GROUP has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Kind Investments Ltd. (aka Castle Downs ARP Pharmacy) in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

Jan Nelson and Andrew Windsor has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Maverick Estate Winery Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

Greyrock Capital Inc. has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Emerson Milling Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

MEDSPA PARTNERS has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to DSH in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

A Confidential Buyer has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Hayes Management Ltd. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

ROBERTSON IMPLEMENTS has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Robertson Implements in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

FLSMIDTH has acquired

MNP Corporate Finance Inc. acted as financial advisor to Mill-Orb Industrial Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

SupremeX has acquired

MNP Corporate Finance Inc. provided financial and tax due diligence services to SupremeX.

DIVESTITURES > FINANCING > DUE DILIGENCE

TRIPLE M METAL has acquired

MNP Corporate Finance Inc. acted as exclusive financial advisor to Metrobec Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

CARBON60 has acquired

MNP Corporate Finance Inc. provided financial and tax due diligence services to Carbon60.

DIVESTITURES > FINANCING > DUE DILIGENCE

ABOUT US



DEAL EXPERIENCE

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past five years alone we have completed over 120 transactions worth over \$2 billion (not including due diligence engagements).

INDUSTRY EXPERIENCE

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Agriculture
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Software
- Financial Services
- Technology
- Energy
- Oilfield Services
- Real Estate

HANDS-ON APPROACH

Current M&A transactions require a hands-on approach from start to finish including the active engagement of senior resources. Our senior resources are dedicated to our clients and are available as necessary and appropriate. We keep our clients regularly informed of the engagement status, issues we are encountering, successes, and overall progress.

INTEGRATED SERVICE OFFERING

We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement, and risk management.

RECENTLY CLOSED DEALS (NATIONAL)

MST has acquired **orbix solutions** for the leading professional.

MNP Corporate Finance Inc. provided financial and tax due diligence services to MST Services Holdings, LLC.

DIVESTITURES > FINANCING > DUE DILIGENCE

DE LA FONTAINE has acquired **CINE EXPRESS LLC**.

MNP Corporate Finance Inc. acted as exclusive financial advisor to De La Fontaine Industries Inc. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

GLBH has acquired **ELRUS** ROBOSTATE SYSTEMS.

MNP Corporate Finance Inc. provided financial and tax due diligence services to U.S. Bank Holdings Ltd.

DIVESTITURES > FINANCING > DUE DILIGENCE

EMERGE has acquired **underpar.com** green jobs for hire.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Emerge Commerce Inc.

DIVESTITURES > FINANCING > DUE DILIGENCE

Crédit Mutuel Equity has provided equity capital to **HIGHLIGHT** PROTECTOR GROUP.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Crédit Mutuel Equity.

DIVESTITURES > FINANCING > DUE DILIGENCE

E360S ENVIRONMENTAL 360 SOLUTIONS has merged with **WASTE-CO**.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Environmental 360 Solutions Inc.

DIVESTITURES > FINANCING > DUE DILIGENCE

trialcard has acquired **Policy Reporter**.

MNP Corporate Finance Inc. was the exclusive financial advisor to Policy Reporters Inc. (dba: Policy Reporter) in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

E360S ENVIRONMENTAL 360 SOLUTIONS has acquired **SCALETTA GROUP**.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Environmental 360 Solutions Inc.

DIVESTITURES > FINANCING > DUE DILIGENCE

E360S ENVIRONMENTAL 360 SOLUTIONS has acquired the Calgary, Alberta division assets of **URBAN IMPACT** recycling of waste.

MNP Corporate Finance Inc. was the exclusive financial advisor to Urban Impact Recycling Ltd. in structuring and negotiating this transaction.

DIVESTITURES > FINANCING > DUE DILIGENCE

EQUICAPITA has acquired **Visage** The Face Experts.

MNP Corporate Finance Inc. provided financial and tax due diligence services to Equicapita Investment Corp.

DIVESTITURES > FINANCING > DUE DILIGENCE

LEADERSHIP TEAM

TRANSACTION LEADERSHIP



Brett Franklin
President
brett.franklin@mnp.ca
204.336.6190



Aleem Bandali
Managing Director
aleem.bandali@mnp.ca
778.374.2140



Dale Antonsen
Managing Director
dale.antonsen@mnp.ca
250.979.2578



Mike Reynolds
Managing Director
mike.reynolds@mnp.ca
587.702.5909



Mark Regehr
Managing Director
mark.regehr@mnp.ca
780.969.1404



Erik St-Hilaire
Managing Director
erik.st-hilaire@mnp.ca
204.336.6200



Dan Porter
Managing Director
dan.porter@mnp.ca
416.515.3877



Stephen Shaw
Managing Director
stephen.shaw@mnp.ca
416.515.3883



Kevin Tremblay
Managing Director
kevin.tremblay@mnp.ca
647.943.4051



Patrick Khouzam
Managing Director
patrick.khouzam@mnp.ca
514.228.7874



Craig Maloney
Managing Director
craig.maloney@mnp.ca
902.493.5430

DUE DILIGENCE LEADERSHIP



Johnny Earl
Managing Director
johnny.earl@mnp.ca
604.637.1514



John Caggianiello
Managing Director
john.caggianiello@mnp.ca
416.513.4177