

Dealerships

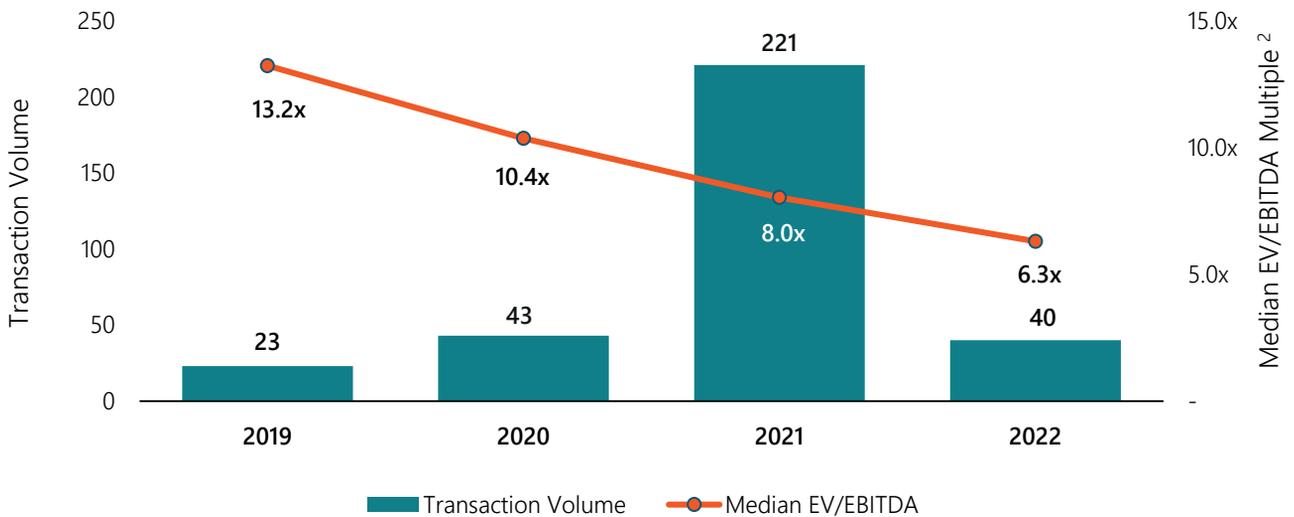
Quarterly Update | Q4 2022



Industry Overview

M&A Snapshot – All Dealership Industries

Publicly Disclosed Transactions - All Dealership Industries (US and Canada)¹



M&A Activity – All Dealership Industries (Automotive, Agriculture, Heavy Truck)

- M&A activity for North American dealerships accelerated in the second half of 2021, wrapping up a banner year of activity. Activity spanning Q1 to Q4 2022 appears to be returning to pre-pandemic levels. As of the conclusion of Q4 2022, there have been a total of 40 publicly disclosed transactions with an aggregate deal value of \$1.979 billion.
- Due to the limited number of publicly traded dealerships in Canada, substantially all publicly available information is related to US transactions across all dealership industries. While geographically different markets, M&A activity in the US can be indicative of overall macro trends in the Canadian M&A market as well.

Automotive

- New Canadian passenger vehicle sales totalled 1.49 million vehicles in 2022, representing a decline of 9.1% from 2021, and the lowest level of new Canadian passenger vehicle sales since 2009³.
- Used vehicle dealership sales decreased to \$8.2 billion over the first seven months of 2022, down from \$8.8 billion over the same period in 2021) but remain well above pre-pandemic levels (\$7.4 billion over the first seven months of 2019)⁴.

Agriculture Implement

- Consolidation continues amongst Case-IH, New Holland, John Deere, and Kubota dealers. Valuations can vary significantly by location, size, and historical performance.

Heavy Truck

- The fragmented marketplace presents an opportunity for M&A activity amongst dealerships, as seen by the recent consolidation activity in southern Ontario, spearheaded by Penske Automotive Group and Rush Enterprises in early 2022.

1: Capital IQ. Data as of December 31, 2022; SEC Filings via Haig Report.

2: Average Median EV/EBITDA Last Twelve Months for automotive, heavy truck, agriculture implement, and construction equipment dealers, per CapIQ. Refer to page 8 for peer group comparison and comprehensive data. Peer groups may change from year-to-year.

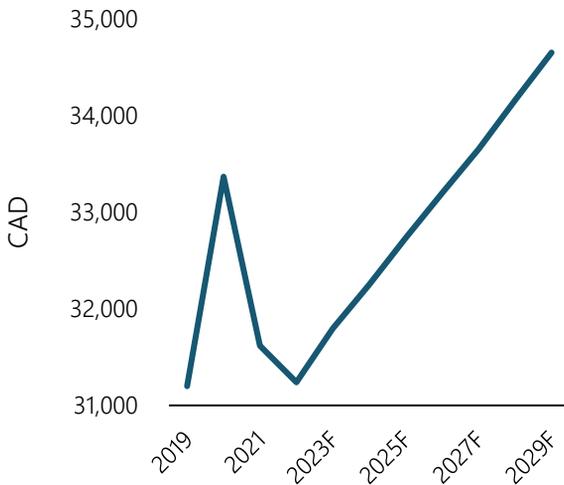
3: Desrosiers "2022 auto sales worst since 2009, but December numbers offer hope" January 2023

4: Desrosiers "Auto Retail Sales – A Strong Aftermarket, but Declines for Used Vehicle Dealers" December 2022

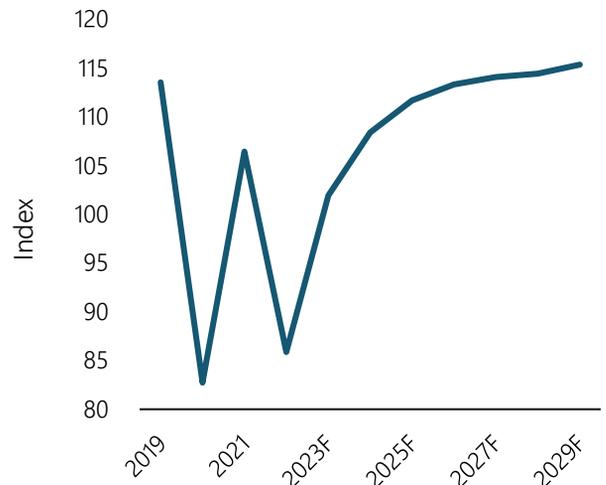
Macroeconomic Indicators

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

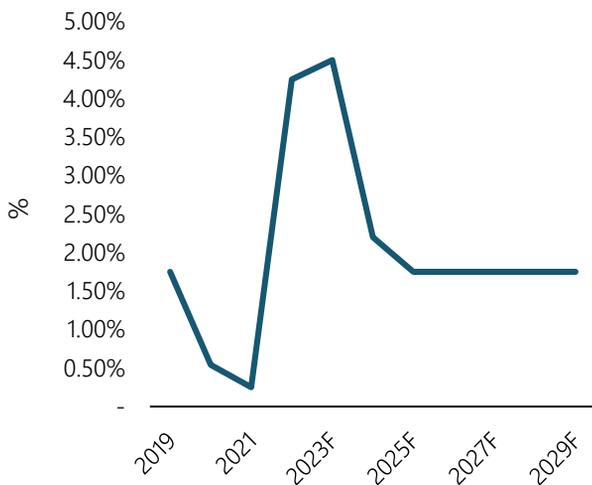
Per Capita Disposable Income



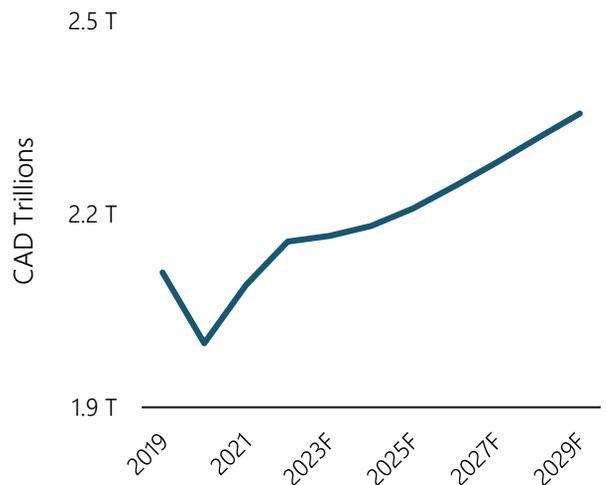
Consumer Confidence Index



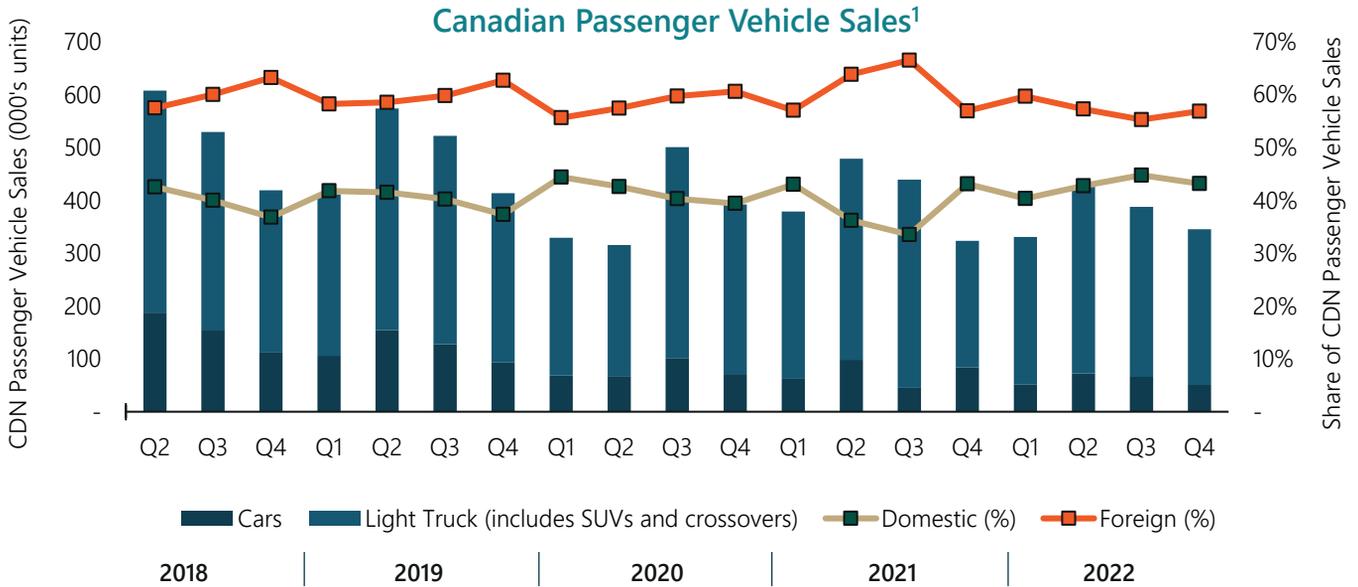
Overnight Rate



GDP - Canada

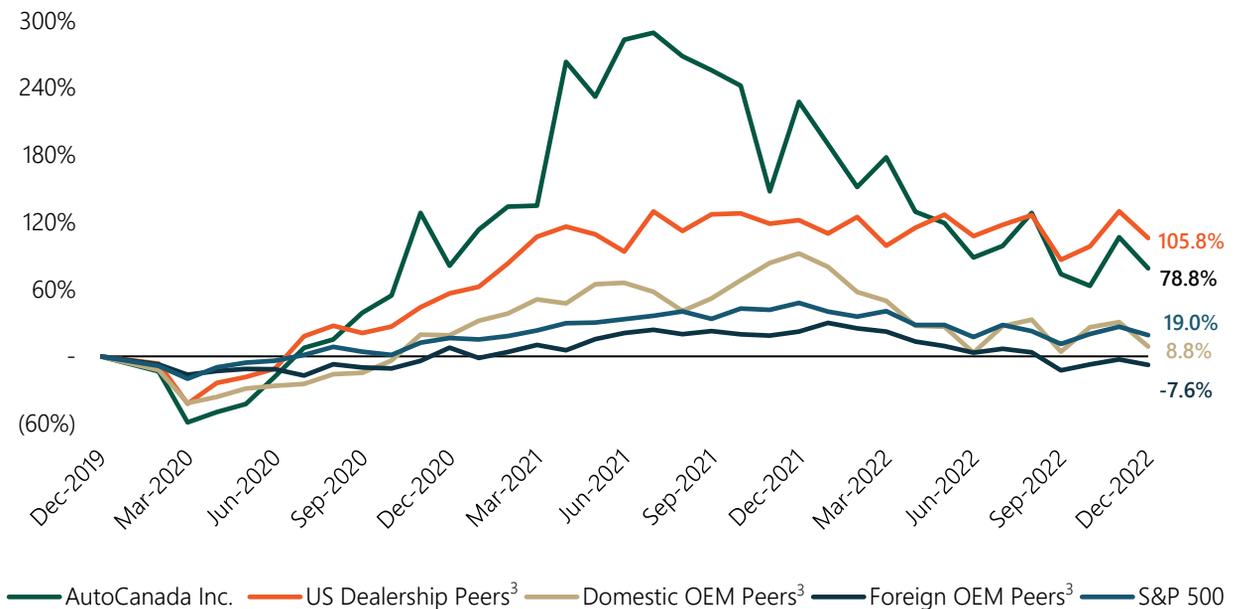


Source: IBISWorld Industry Reports, Bank of Canada.
"F" indicates forecast.



Q4 2022 sales totaled 345,335 units representing a 6.8% increase in comparison to Q4 2021. Total vehicle sales were composed of 85.3% light truck sales in Q4 2022. The domestic vs. foreign brand sales mix continues to favor foreign brands, with a market share of 56.8% in Q4 2022, up modestly from 55.3% in Q3 2022.

Share Price Performance²



1: Desrosiers Automotive Consultants reports, January 2018 – December 2022.

2: Capital IQ. Data as of September 30, 2022.

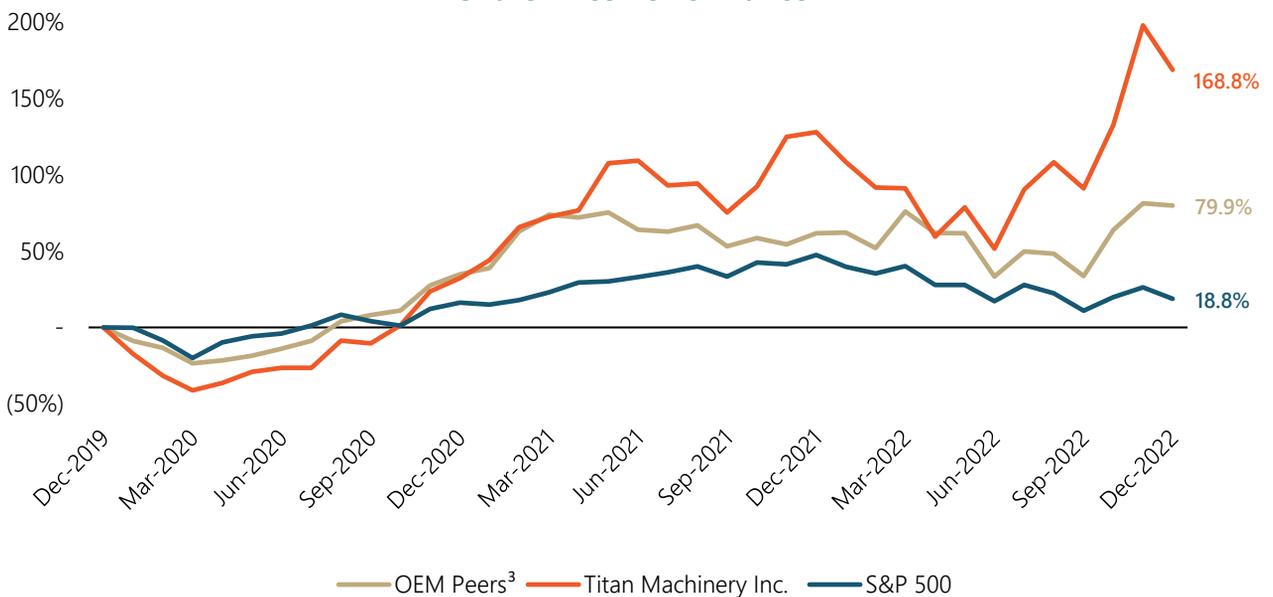
3: **US Dealership Peers:** AutoNation, Group 1 Automotive, Asbury Automotive, Sonic Automotive, Lithia Motors and Penske Automotive.
Domestic OEM Peers: General Motors, Ford and Fiat Chrysler. **Foreign OEM Peers:** Toyota, Honda and Nissan.

Ag Implement Revenue vs. Farm Cash Receipts Per Quarter¹



Farm cash receipts tend to be one of the lagging indicators for agriculture equipment sales. Farm cash receipts recorded a 11.4% year-over-year growth from Q3 2021 to Q3 2022. John Deere’s Canadian segment recorded 28.8% year-over-year growth from Q3 2021 to Q3 2022. At the time of this report, Q4 2022 farm cash receipt data is not available, and we have therefore shown results to the end of Q3 2022. As there are no publicly traded Canadian agriculture equipment dealerships, we have used the US agriculture dealership, Titan Machinery Inc., as part of our data. While geographically different, the US market can be indicative of trends in the Canadian market as well.

Share Price Performance²

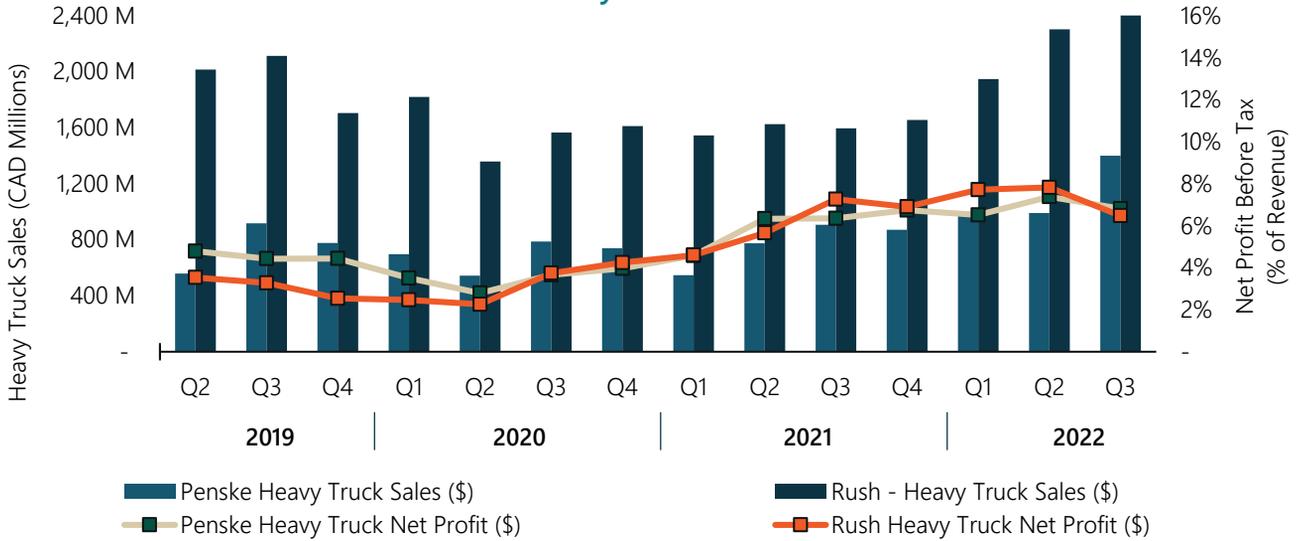


1: Farm Cash Receipts retrieved from Statistics Canada. Data effective December 31, 2022. Farm Cash Receipts lag one quarter in our reports.

2: Capital IQ. Data as of November 28, 2022.

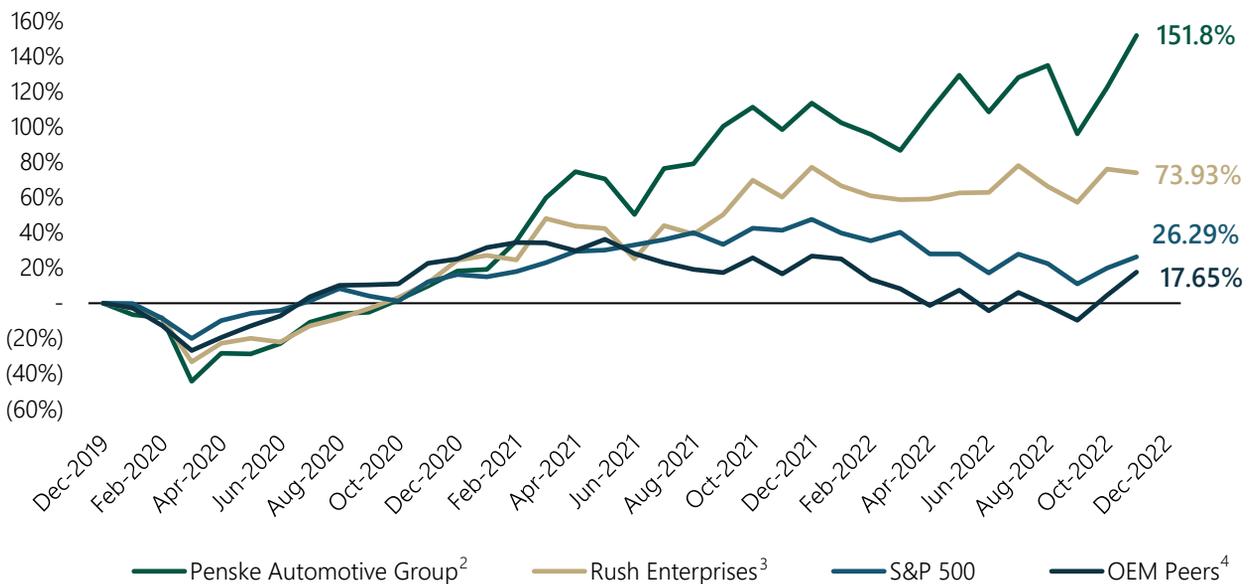
3: **OEM Peers:** Deere & Company (John Deere), CNH Industrial (Case IH, New Holland), Kubota Corp., Caterpillar Inc. (CAT) and AGCO Corporation (Massey Ferguson).

Penske & Rush Heavy Truck Division Performance¹



Penske Automotive Group (Penske) is a publicly traded, global dealership group. Rush Enterprises Inc. (Rush) is a publicly traded retailer of commercial vehicles in North America. Penske generated approximately 14.7% of sales from their heavy truck division in Q3 2022, while substantially all of Rush’s sales relate to heavy truck. Heavy truck sales and net profit margins have been isolated in order to gauge divisional performance as a metric for the industry in general.

Share Price Performance¹



1: Capital IQ. Data as of December 31, 2022.

2: Penske is a diversified company, therefore the share price performance shown above is not inherently related to the performance of its heavy truck division.

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

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

Select Recent M&A Transactions



has acquired



Location

Canada

Date

December
2022

- Rocky Mountain Equipment ("RME") is a consolidator of agriculture and construction equipment dealerships, primarily focused on CNH brands.
- Robertson Implements ("Robertson") is one of the largest New Holland agricultural equipment dealers in Canada, with eight dealerships across Saskatchewan and Alberta.
- This acquisition allows RME to expand its footprint in Western Canada, now operating 47 dealerships across Alberta, Saskatchewan, and Manitoba.
- MNP Corporate Finance Inc. acted as exclusive financial advisor to Robertson in structuring and negotiating this transaction.



has acquired



Location

Canada

Date

December
2022

- AutoCanada Inc. ("AutoCanada") is a multi-location automobile dealership group currently operating 66 franchised dealerships, comprised of 27 brands, in eight provinces in Canada.
- Sterling Honda ("Sterling") is a Hamilton, ON based Honda dealership with a strong track record of success.
- The acquisition unlocks additional growth opportunities for AutoCanada in Southern Ontario, and further deepens the group's relationship with Honda.



has acquired



Location

Canada

Date

October
2022

- Birchwood Automotive Group ("Birchwood") is Manitoba's largest automotive dealership group with over 24 dealerships across the province.
- Winnipeg Dodge Chrysler ("WDC") is a Winnipeg-based Chrysler, Dodge, Jeep, and Ram dealership previously owned by McManes Auto Group of Calgary.
- This acquisition gives Birchwood complete control of Winnipeg's Pointe West Auto Park, a condensed area of 10 dealerships and related insurance, collision, and service centres.



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 Cap.	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.	\$547	\$2,345	\$5,848	34.9%	\$312	5.3%	9.9%	4.2%	8.6x	7.5x	0.4x
AutoNation, Inc.	\$7,199	\$13,978	\$36,892	7.3%	\$3,253	8.8%	(5.5%)	7.5%	5.2x	4.4x	0.4x
Group 1 Automotive, Inc.	\$3,432	\$7,393	\$21,477	22.9%	\$1,668	7.8%	0.7%	5.9%	5.7x	4.5x	0.3x
Asbury Automotive Group Inc.	\$5,369	\$10,238	\$19,747	52.7%	\$1,804	9.1%	2.6%	7.9%	6.4x	5.8x	0.5x
Sonic Automotive, Inc.	\$2,439	\$6,399	\$18,665	13.2%	\$1,086	5.8%	2.6%	4.7%	6.9x	6.0x	0.3x
Lithia Motors, Inc.	\$7,575	\$17,249	\$37,826	34.6%	\$3,361	8.9%	4.2%	6.0%	6.6x	5.2x	0.5x
Penske Automotive Group Inc.	\$11,091	\$19,984	\$37,206	8.1%	\$3,388	9.1%	(2.5%)	7.2%	7.4x	6.0x	0.5x
Median	\$5,369	\$10,238	\$21,477	22.9%	\$1,804	8.8%	2.6%	6.0%	6.6x	5.8x	0.4x
Mean	\$5,379	\$11,084	\$25,380	24.8%	\$2,124	7.8%	1.7%	6.2%	6.7x	5.6x	0.4x
Heavy Truck Dealerships											
Penske Automotive Group, Inc.	\$11,091	\$19,984	\$37,206	8.1%	\$3,388	9.1%	(2.5%)	7.2%	7.4x	6.0x	0.5x
Rush Enterprises, Inc.	\$3,917	\$5,619	\$8,966	28.5%	\$885	9.9%	4.5%	7.9%	7.8x	6.4x	0.6x
Median	\$7,504	\$12,801	\$23,086	18.3%	\$2,137	9.5%	1.0%	7.5%	7.6x	6.2x	0.6x
Mean	\$7,504	\$12,801	\$23,086	18.3%	\$2,137	9.5%	1.0%	7.5%	7.6x	6.2x	0.6x
Agriculture Implement / Construction Dealerships											
Titan Machinery Inc.	\$1,204	\$1,730	\$2,910	30.0%	\$247	8.5%	16.0%	6.8%	7.4x	7.1x	0.6x
Median	\$1,204	\$1,730	\$2,910	30.0%	\$247	8.5%	16.0%	6.8%	7.4x	7.1x	0.6x
Mean	\$1,204	\$1,730	\$2,910	30.0%	\$247	8.5%	16.0%	6.8%	7.4x	7.1x	0.6x
Automobile OEMs											
General Motors Company	\$64,683	\$191,535	\$202,113	12.4%	\$25,704	12.7%	5.9%	15.6%	5.6x	7.6x	1.0x
Stellantis N.V.	\$61,649	\$34,532	\$221,912	63.7%	\$32,763	14.8%	17.7%	14.4%	0.0x	1.0x	0.1x
Ford Motor Company	\$63,284	\$195,583	\$208,326	12.7%	\$20,015	9.6%	2.8%	10.0%	9.0x	9.9x	1.0x
Honda Motor Co., Ltd.	\$52,615	\$97,729	\$148,502	8.8%	\$22,394	15.1%	33.1%	7.5%	6.6x	4.0x	0.6x
Nissan Motor Co., Ltd.	\$16,805	\$80,154	\$86,729	4.9%	\$6,375	7.3%	33.9%	6.3%	10.6x	11.6x	0.9x
Toyota Motor Corporation	\$253,664	\$476,459	\$318,906	7.3%	\$43,711	13.7%	21.1%	12.1%	10.0x	10.1x	1.4x
Median	\$62,467	\$144,632	\$205,220	10.6%	\$24,049	13.2%	19.4%	11.1%	7.8x	8.7x	0.9x
Mean	\$85,450	\$179,332	\$197,748	18.3%	\$25,160	12.2%	19.1%	11.0%	7.0x	7.4x	0.8x
Heavy Trucks OEMs											
AB Volvo (publ)	\$50,318	\$68,903	\$54,591	20.4%	\$6,134	11.2%	10.8%	14.6%	7.9x	10.7x	1.2x
PACCAR Inc	\$46,583	\$54,267	\$37,586	22.2%	\$4,923	13.1%	(3.2%)	13.2%	11.2x	11.2x	1.5x
Median	\$48,450	\$61,585	\$46,088	21.3%	\$5,529	12.2%	3.8%	13.9%	9.5x	10.9x	1.3x
Mean	\$48,450	\$61,585	\$46,088	21.3%	\$5,529	12.2%	3.8%	13.9%	9.5x	10.9x	1.3x
Agriculture Implement / Construction OEMs											
Deere & Company	\$173,065	\$239,764	\$71,610	19.5%	\$15,064	21.0%	0.6%	22.1%	14.9x	16.0x	3.4x
CNH Industrial N.V.	\$29,207	\$54,250	\$49,454	60.0%	\$5,559	11.2%	(37.2%)	11.8%	14.7x	9.9x	1.1x
Kubota Corporation	\$22,176	\$38,852	\$23,811	17.4%	\$2,545	10.7%	17.1%	12.3%	11.1x	14.1x	1.5x
Caterpillar Inc.	\$168,730	\$208,158	\$77,747	17.0%	\$15,676	20.2%	6.9%	18.1%	14.4x	13.5x	2.7x
AGCO Corporation	\$14,002	\$16,380	\$16,349	11.3%	\$2,151	13.2%	11.8%	12.1%	7.4x	7.7x	1.0x
AB Volvo (publ)	\$50,318	\$68,903	\$54,591	20.4%	\$6,134	11.2%	10.8%	14.6%	7.9x	10.7x	1.2x
Median	\$39,762	\$61,577	\$52,022	18.4%	\$5,847	12.2%	8.9%	13.4%	12.8x	12.1x	1.4x
Mean	\$76,250	\$104,385	\$48,927	24.2%	\$7,855	14.6%	1.7%	15.2%	11.7x	12.0x	1.8x

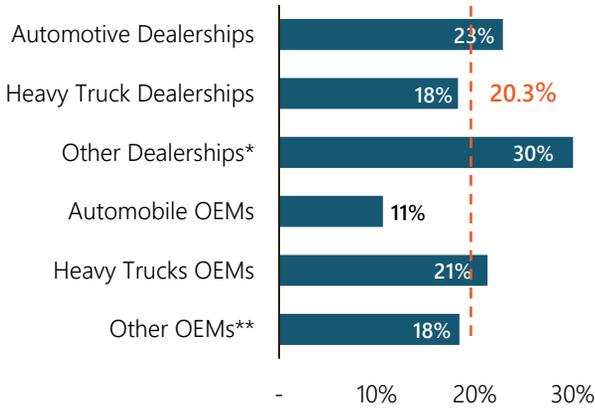
Source: Capital IQ. Data as of December 31, 2022.

¹"LTM" refers to last twelve months. "NTM" refers to next twelve months.

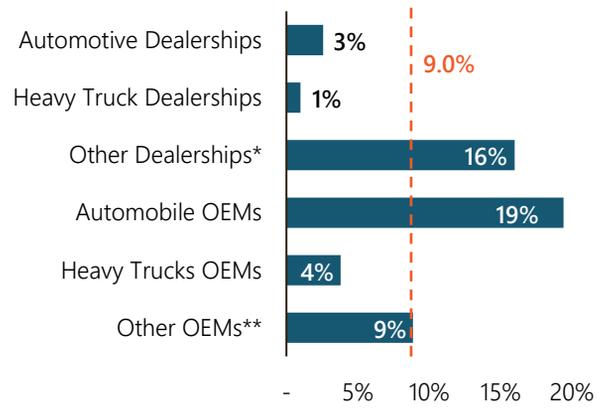
Public Comparable Analysis

Growth, Margins & Multiples

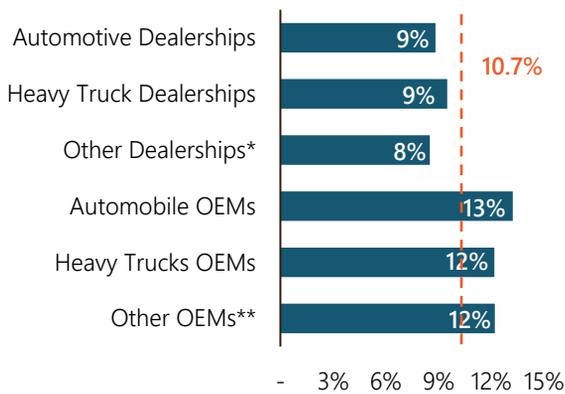
Median Revenue Growth (LTM)



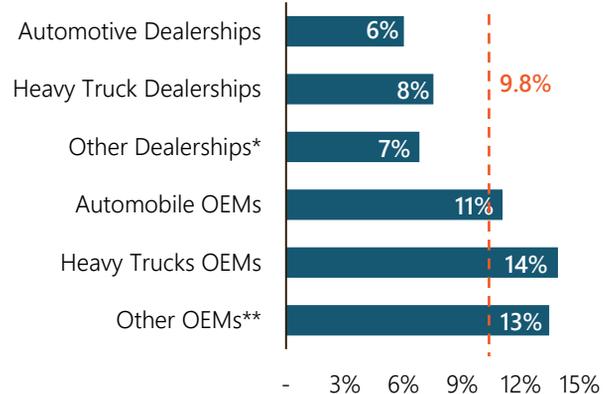
Median Revenue Growth (NTM)



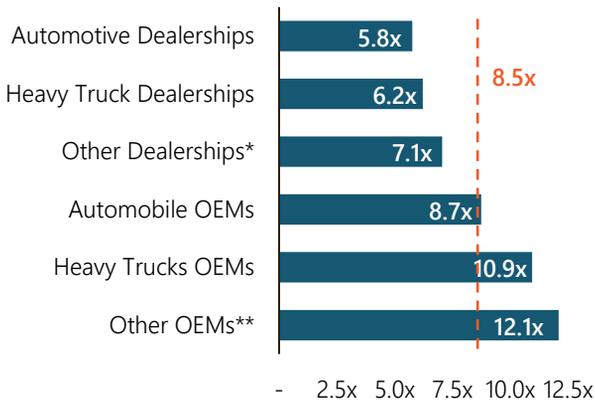
Median EBITDA Margin (LTM)



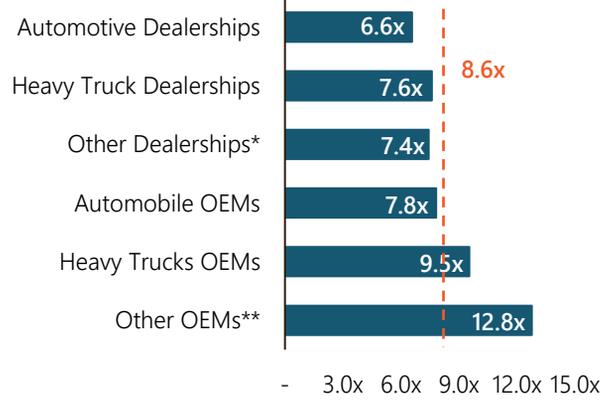
Median EBITDA Margin (NTM)



Median EV/EBITDA (LTM)



Median EV/EBITDA (NTM)



*Agriculture Implement / Construction Dealerships.

**Agriculture Implement / Construction OEMs.

Source: Capital IQ. Data as of December 31, 2022.

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

Valuation details provided on page 7.

About Us



MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A and due diligence professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

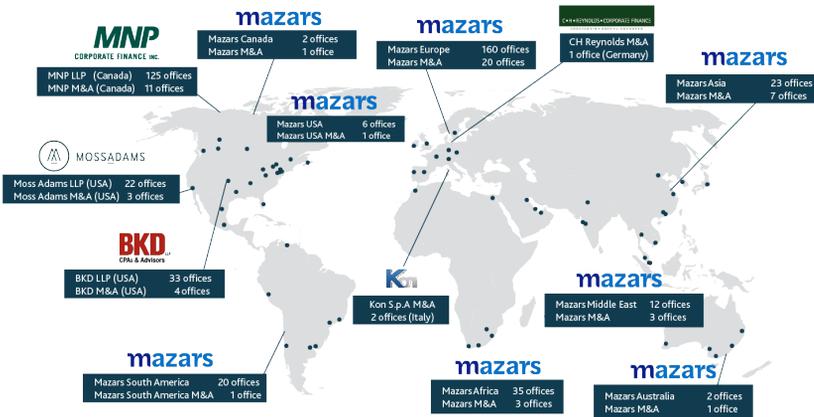
Our typical transactions range in value between \$3 million and \$300 million.

Local and 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 250+ M&A professionals in more than 30 countries.



CFxB CFXborder - Global reach with local relationships
Our corporate finance team through CFXb consists of 250 plus M&A professionals in more than 30 countries



Services

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

Recently Closed Deals (National)

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 ten years alone we have completed over 250 transactions worth over \$4.5 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)



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