THE BLUE SKY REPORT®

A KERRIGAN QUARTERLY

Second Quarter 2026

September 2026

KERRIGAN ADVISORS

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KERRIGAN ADVISORS

Kerrigan Advisors is Honored to Announce the Pending Sale of Our Client, Hennessy Automobile Companies to Group 1 Automotive

HENNESSY AUTOMOBILE COMPANIES

10 Dealerships and the Largest Private Dealership Group in Atlanta
3rd Largest Transaction in Industry History

Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES PORSCHE *Roswell, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES PORSCHE *Marietta, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES LEXUS *Duluth, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES LEXUS *Atlanta, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES JAGUAR LAND ROVER *Atlanta, GA*
Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES LAND ROVER *Alpharetta, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES LAND ROVER *Duluth, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES HONDA *Woodstock, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES Ford LINCOLN *Atlanta, GA*	Kerrigan Advisors represented HENNESSY AUTOMOBILE COMPANIES CADILLAC *Duluth, GA*

Transaction Highlights As Released By

GROUP 1

10 Dealerships

$1.3B Purchase Price

$1.7B Revenue



Peter Hennessy, Hennessy Automobile Cos. (Left), Ryan Kerrigan, Kerrigan Advisors (Center) and Pete DeLongchamps, Group 1 Automotive (Right)

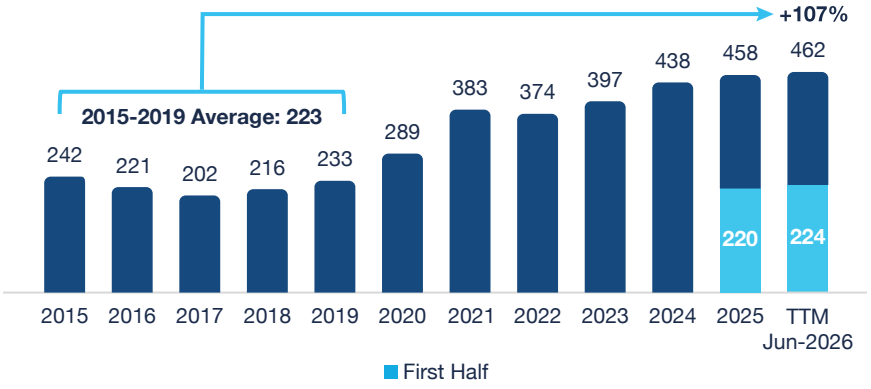
Kerrigan Advisors congratulates the Hennessy Family on the announcement of this monumental sale.

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EXECUTIVE SUMMARY

The dealership buy/sell market continued at an elevated pace in the first half of 2026, despite declining industry profits and economic uncertainty surrounding the conflict in the Middle East and rising interest rates. A total of 224 transactions were completed in the first half, a 2% increase from 2025 (see Chart 1). On a trailing twelve-month basis, 462 buy/sells closed, 107% above the pre-pandemic average, exceeding 2025's record of 458 transactions. Based on current activity levels, Kerrigan Advisors expects the buy/sell market to remain at this elevated pace for the remainder of 2026, supported by buyers' access to capital and continued commitment to growth.

Chart 1 Total Dealership Transactions

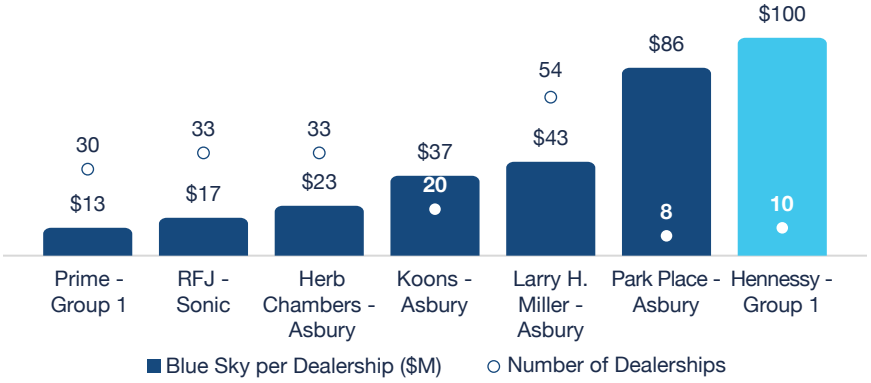


In the first half of 2026, the buy/sell market remained **more than double pre-pandemic levels**, with 224 transactions completed. On a trailing twelve-month basis, 462 buy/sells closed, 107% above the pre-pandemic average and exceeding 2025's record.

Source: The Banks Report, Automotive News, Kerrigan Advisors' Research & Analysis

Of particular note during the quarter was the announcement of the sale of Kerrigan Advisors' client, Hennessy Automobile Companies in Atlanta, Georgia to Group 1 Automotive for $1 billion in blue sky, with the closing expected later this year. The transaction represents the highest blue sky value ever paid on a per-dealership basis for a 10-dealership group (see Chart 2). The Hennessy sale illustrates the record blue sky prices sellers are achieving for premier luxury and import franchises in high-growth US markets.

Chart 2 Blue Sky Pricing per Dealership Acquired for the Largest Public Group Acquisitions Since 2020, $ in Millions



The announced Hennessy sale to Group 1 establishes a **new benchmark for blue sky pricing** at $100 million per dealership, surpassing every other major public dealership group acquisition since 2020.

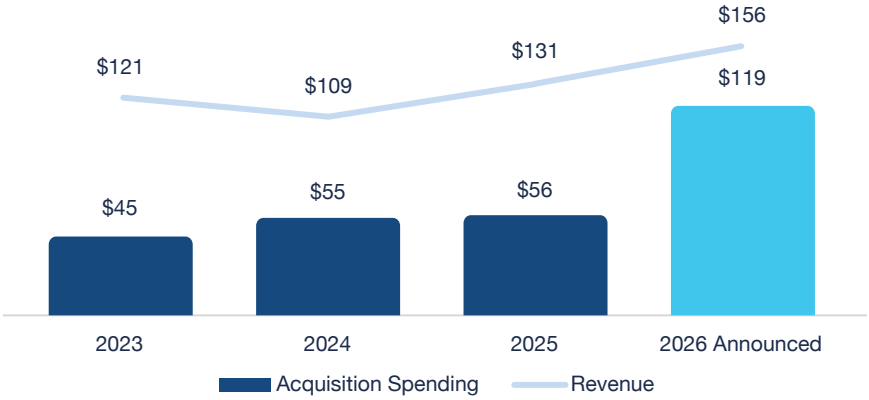
Source: SEC Filings

"Atlanta will become our second largest market in revenue and our ninth cluster market in the US."

Daryl Kenningham, President & CEO, Group 1 Automotive | Second Quarter 2026 Earnings Call

Consistent with the Hennessy announcement, the publics' pricing per acquired dealership year-to-date hit a new record of $119 million, $67 million above their three-year average and the average revenue per acquired dealership reached a record $156 million (see Chart 3). These growth trends reflect the publics' increasingly selective focus on strategic, high-volume luxury and import franchises, primarily in high-growth markets where they already operate. When the publics acquire dealerships in their existing markets, they can pro forma higher future earnings through anticipated shared infrastructure, marketing and expense reductions associated with scale. These expected synergies are an important driver of the record acquisition pricing being paid in 2026.

Chart 3 US Public Dealer Groups' Average Spend vs. Revenue per Acquired Dealership, $ in Millions



The publics' average acquisition spend per dealership surged to a **record $119 million in 2026**, while average revenue per acquired dealership reached $156 million, reflecting an increasingly selective focus on high-volume, premium franchises.

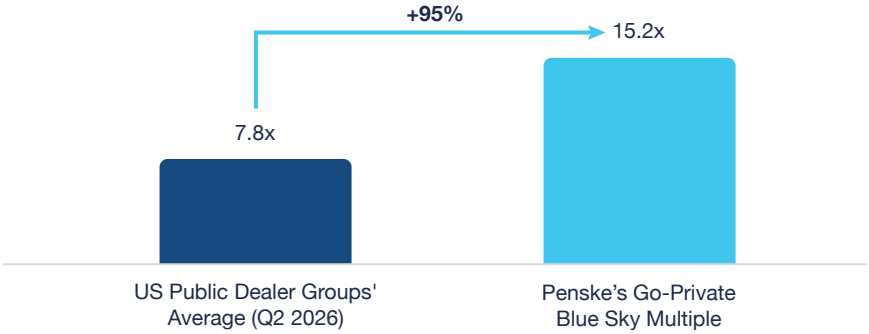
Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic

"We're really pleased with the valuation and what we paid [on Hennessy]."

Daryl Kenningham, President & CEO, Group 1 Automotive | Second Quarter 2026 Earnings Call

Consistent with 2026's record-setting valuations, another notable proposed transaction announcement was Penske Corporation and Mitsui & Co., Ltd.'s offer to take Penske Automotive Group private. The transaction would be the largest in industry history, valuing Penske at $13.8 billion, including $3.8 billion for the outstanding equity. Upon the announcement, Penske's stock surged and is now trading at a 19% premium to its 60-day volume-weighted average stock price. At the proposed purchase price, Kerrigan Advisors estimates Penske Automotive Group would be valued at a 15.2x blue sky multiple based on trailing twelve-month earnings, 95% above the public dealer group average (see Chart 4).

Chart 4 Estimated Blue Sky Multiple as of Q2 2026

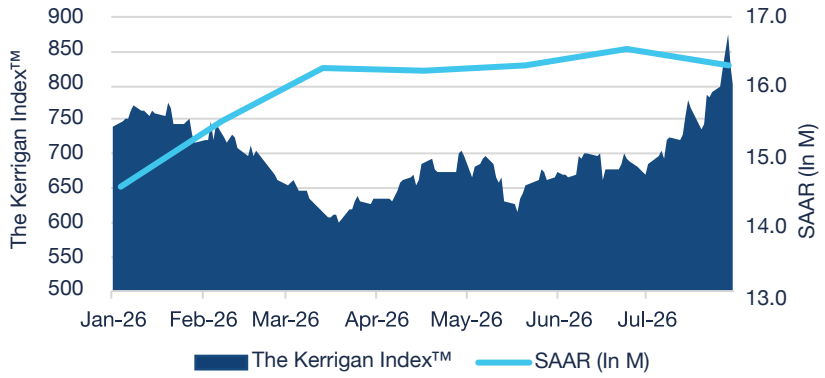


At the proposed purchase price, Penske Automotive Group's estimated 15.2x blue sky multiple is **95% higher than the public dealer group average** of 7.8x, reflecting the premium valuation assigned to one of auto retail's highest-quality platforms.

Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Microsoft Finance

The record acquisition prices being paid in 2026 are consistent with the performance of The Kerrigan Index™, which tracks the six publicly traded new car auto retailers. Through the end of July, the Index was up 9.4% year-to-date. Four of the six public companies—AutoNation, Lithia, Penske and Sonic—reached all-time-high stock prices in July 2026, reflecting Wall Street's confidence in the earnings growth and consolidation opportunity of the publics' model. The publics' stock performance is consistent with an improving SAAR (see Chart 5), which achieved five straight months above the 16 million level for the first time since 2020.

Chart 5 The Kerrigan Index™ vs. US New Vehicle Sales Seasonally Adjusted Annual Rate ("SAAR") in Millions



The Kerrigan Index™ rose 9.4% year-to-date through July, with **four of the six public dealer groups reaching all-time-high stock prices in 2026**. At the same time, US vehicle SAAR exceeded 16 million for five consecutive months from March through July, reinforcing Wall Street's confidence in the durability of auto retail demand and the long-term earnings outlook for scaled franchise retailers.

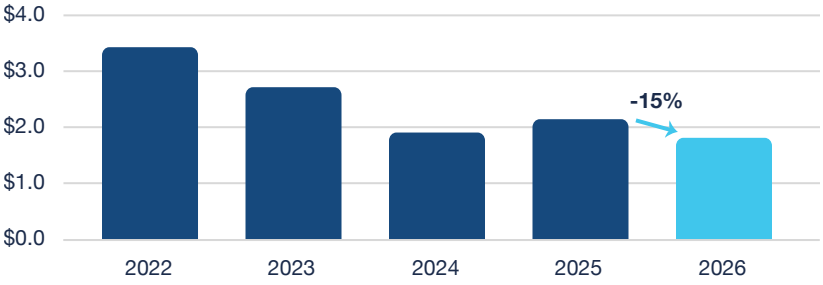
Source: Microsoft Finance, Kerrigan Advisors' Analysis
Methodology: The Kerrigan Index™ is composed of the six new car publicly traded auto retail companies with operations focused on the US market, including Asbury Automotive Group, AutoNation, Group 1 Automotive, Lithia & Driveway, Penske Automotive Group and Sonic Automotive. The Kerrigan Index™ is weighted by the market capitalization of each company and benchmarked at 100 on 1/3/2000.

"We think the industry and consumers are in good shape. The June SAAR is the highest June in 4 years. Consumer sentiment is improving every month. Our banking partners are reporting a 20% increase in applications and originations, and their delinquencies continue to improve."

Mike Manley, CEO, AutoNation | Second Quarter 2026 Earnings Call

2026's record valuations stand in sharp contrast to the industry's earnings performance during the first half of the year. Kerrigan Advisors estimates average dealership earnings declined between 10% and 20% year-over-year, depending on market and franchise. Consistent with this view, the publics' average dealership earnings declined 15% in the first half, although they remained approximately in line with 2024 levels (see Chart 6). It is important to keep in mind that the first half of 2025 benefited from tariff and EV-policy-related pull-forward demand, creating a difficult year-over-year comparison for 2026.

Chart 6 US Public Dealer Groups' Average US Dealership Pre-Tax Profit, First Half, $ in Millions

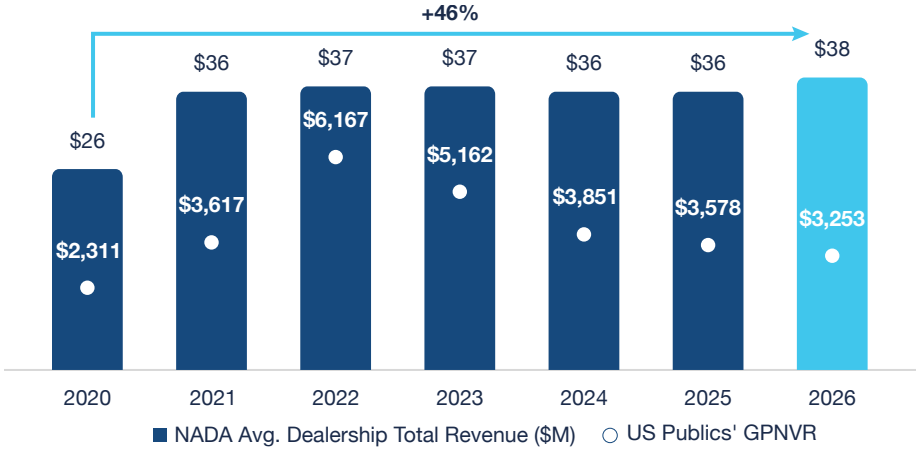


Average public dealership **pre-tax profit declined approximately 15%** in the first half of 2026, in part due to a difficult comparison to 2025's tariff and EV-policy-driven pull-forward demand.

Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Kerrigan Advisors' Research & Analysis

Notably, the decline in profits was driven by rising operating costs and lower vehicle gross margins, rather than a decline in revenue (see Chart 7). In fact, average dealership revenue rose to a record $38 million in the first half of 2026, up 46% from 2020. Despite the industry's higher sales rate, pre-tax profit margins declined to 3.2% for the publics (see Chart 8), returning to pre-pandemic ranges, as SG&A expenses increased 4% during the period.

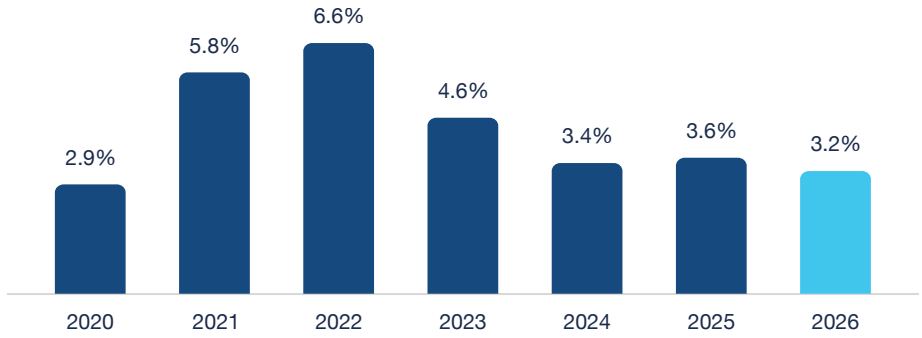
Chart 7 NADA Average Dealership Revenue ($ in Millions) vs. US Public Dealer Groups' Gross Profit per New Vehicle Retailed, First Half



Source: NADA Industry Analysis, SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic

While gross profit per new vehicle retailed declined to $3,253 for the average public dealership, **average dealership revenue reached a record $38 million** in 2026, demonstrating that lower industry earnings are being driven by margin compression and higher expenses rather than declining sales.

Chart 8 US Public Dealer Groups' Pre-Tax Income-to-Revenue Margin, First Half



Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Kerrigan Advisors' Research & Analysis
Note: Excludes significant impairments or gains on dealership sales.

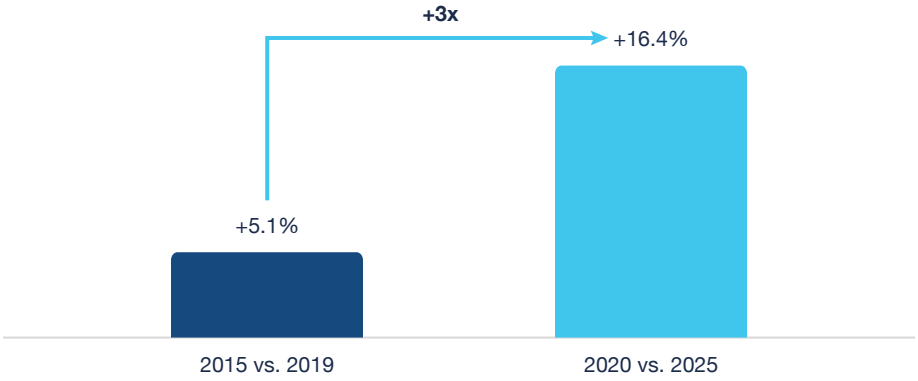
Public dealership pre-tax margins declined to 3.2% in the first half of 2026, returning to a more normalized range as **higher operating costs and lower vehicle margins pressure profitability** despite record dealership revenue.

The dichotomy of leading consolidators paying record valuations against a backdrop of declining industry earnings reflects the accelerating concentration of auto retail, both by rooftop and, more importantly, by industry revenue, as well as the expectation that scale will bring future operating efficiencies. Since 2020, the Top 100 private dealership groups' share of industry revenue increased 16%, more than three times the growth rate during the five years preceding the pandemic (see Chart 9 on the following page). Today, 64% of new vehicle sales are generated by only 31% of dealership rooftops (see Chart 10 on the following page), underscoring the increasingly concentrated nature of auto retail revenue in the hands of fewer dealers and the growing value buyers place on high-throughput dealerships.

"With some of the AI development that we're doing, that's one of our main areas that we think can create efficiency and faster throughput."

Heath Byrd, EVP & CFO, Sonic Automotive | Second Quarter 2026 Earnings Call

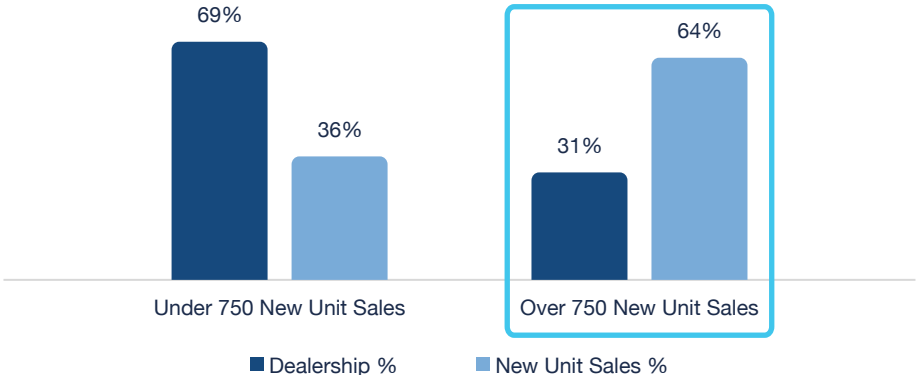
Chart 9 Change in Share of Industry Revenue for Top 100 Private Groups, 2015 vs. 2019 and 2020 vs. 2025



The Top 100 private dealership groups increased their share of industry revenue over 16% from 2020 to 2025, more than three times the increase during the prior five years, demonstrating the acceleration of revenue concentration among the largest retailers.

Source: Automotive News, NADA Industry Analysis, Kerrigan Advisors' Research & Analysis

Chart 10 Share of US Light Vehicles Sold and Dealerships by Dealership Volume

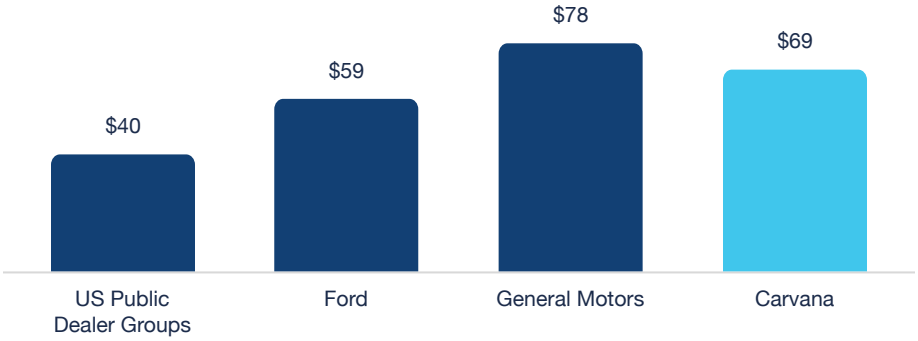


31% of dealerships selling more than 750 new vehicles annually generate 64% of new vehicle sales, highlighting the **growing concentration of industry revenue in high-volume rooftops.**

Source: Automotive News, NADA Industry Analysis, Kerrigan Advisors' Research & Analysis

Perhaps the clearest indication of Wall Street's expectation for further disruption and consolidation in auto retail is Carvana's rapid revenue growth and valuation expansion since entering the new vehicle market. As of July 31, Carvana's market capitalization exceeded the combined market capitalizations of the legacy public auto retailers and was comparable to those of the largest US automakers (see Chart 11). Much like Tesla demonstrated the potential of a successful alternative new vehicle distribution model, Carvana is increasingly viewed as a catalyst for change in the industry, using technology rather than human capital to expand sales reach and operate with fewer geographic constraints.

Chart 11 Market Capitalization as of July 31, 2026, $ in Billions



At $69 billion, Carvana's market capitalization now exceeds the combined $40 billion value of the legacy public dealer groups and **approaches that of the largest US automakers**, illustrating the extraordinary value Wall Street places on technology-enabled scale.

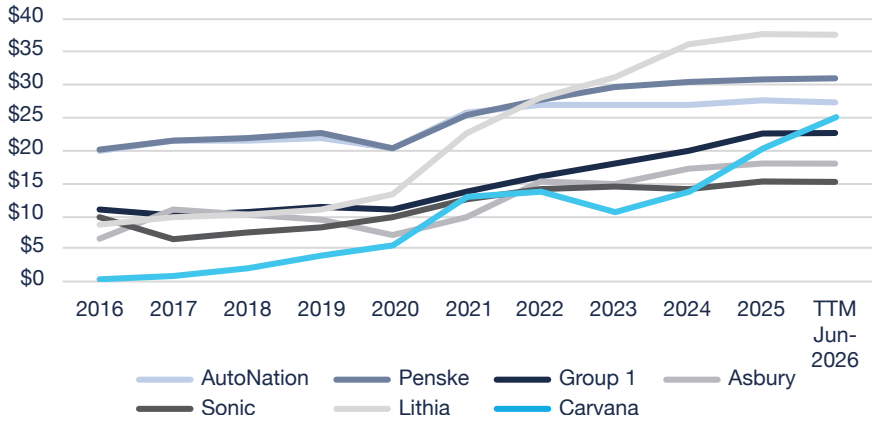
Source: Microsoft Finance

"Building this machine and the unmatched customer experiences it delivers is the key to our future success. And the bigger it is, the wider the moat."

Ernie Garcia, Co-Founder, President, CEO & Chairman, Carvana | Second Quarter 2026 Earnings Call

In particular, Carvana's success deploying AI and proprietary technology has produced impressive sales growth and profit margins that exceed those of the legacy public auto retailers (see Chart 12 and Chart 13). The legacy publics have taken note and are actively developing their own AI-enabled tools to increase sales, improve customer conversion and reduce operating expense. Leading retailers recognize that the next phase of auto retail will be driven by sophisticated data sets and proprietary technology that simplify the sales and service process while improving profitability through greater employee productivity.

Chart 12 Annual Revenue, $ in Billions



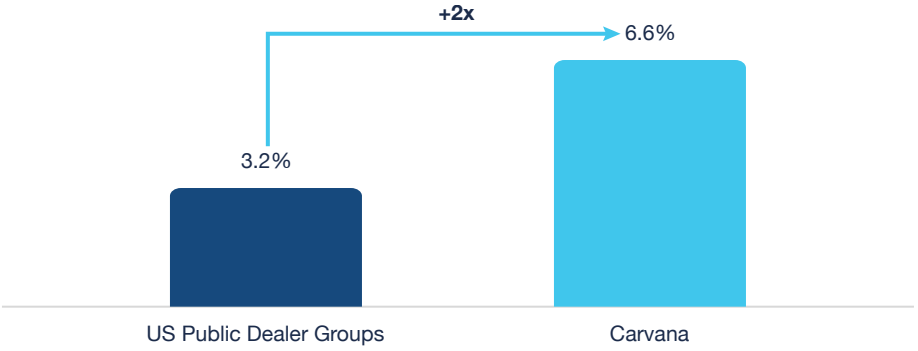
Source: SEC Filings

Carvana's rapid revenue expansion demonstrates the **growth potential of a technology-enabled retail platform**, reinforcing the strategic imperative for legacy dealership groups to invest in AI, data and scalable operating systems.

"I think if the website is instantly intelligent and can answer every customer question on its own through whatever tool you put in front of them, then there would not be calls into customer care and our customer care expenses would be $0."

Ernie Garcia, Co-Founder, President, CEO & Chairman, Carvana | Second Quarter 2026 Earnings Call

Chart 13 Pre-Tax Profit-to-Revenue Margin, First Half 2026



Source: SEC Filings for Asbury, AutoNation, Carvana, Group 1, Lithia, Penske & Sonic

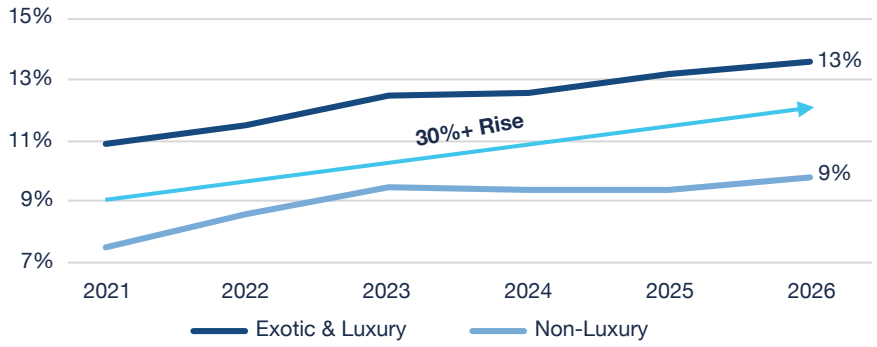
Carvana generated a 6.6% pre-tax profit margin in the first half of 2026, more than twice the public dealer group average of 3.2%, demonstrating the **profitability potential of technology-driven operating leverage** at scale.

"We continue to invest in AI across every department in the company. Whether in operations or support, we see meaningful opportunities to improve efficiency with our team members and enhance the guest experience."

Dan Clara, President & CEO, Asbury Automotive Group | Second Quarter 2026 Earnings Call

This technological shift is expected to amplify the benefits of scale and dramatically expand a dealership's addressable geographic market. Revenue per rooftop will become an increasingly critical driver of profitability as technology extends the reach of each brick-and-mortar location well beyond its historical Area of Responsibility ("AOR"). To some degree, this shift is already underway: since 2021, the share of consumers crossing state lines for both luxury and non-luxury vehicles has increased more than 30% (see Chart 14). Today, 13% of luxury and 9% of non-luxury new vehicle sales cross state lines, demonstrating the declining importance of a franchise's primary market area and the imperative to develop broader market reach.

Chart 14 Share of Consumers Crossing State Lines for New and Used Vehicle Purchases



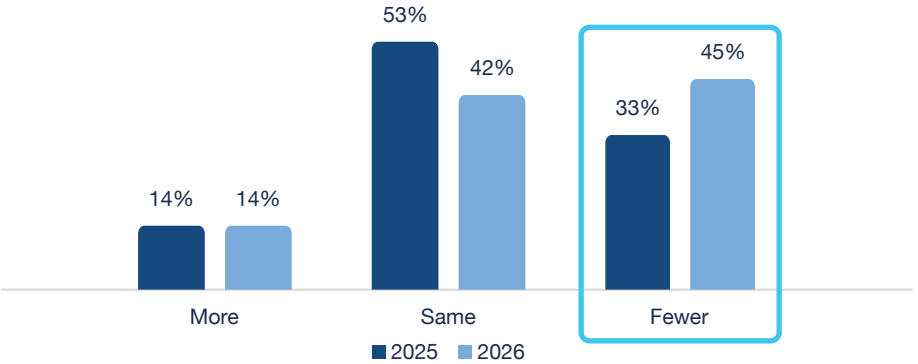
Source: Experian

Since 2021, **interstate vehicle purchases have increased more than 30%**, reaching 13% of luxury and 9% of non-luxury sales in 2026, evidence that technology is expanding dealerships' addressable markets beyond traditional geographic boundaries.

With these significant business model changes underway, many dealers are reassessing their long-term plans and determining that the timing is right for an exit. Some are concerned that OEMs will be attracted to Carvana's market share gains on behalf of Stellantis, resulting in their entry into additional franchise networks. Dealers also recognize that Carvana's transparent pricing and technology-enabled operating model resembles the future retail model long advocated by certain OEMs. With more OEM executives expecting fewer, larger dealers in their networks over the next five years (see Chart 15), the potential for further technology-enabled consolidation is prompting some dealers to sell rather than risk future disintermediation by larger, better-capitalized retailers.

Chart 15 2026 Kerrigan OEM Survey Results

Do you believe OEMs will have more, the same or fewer dealers in the next five years?



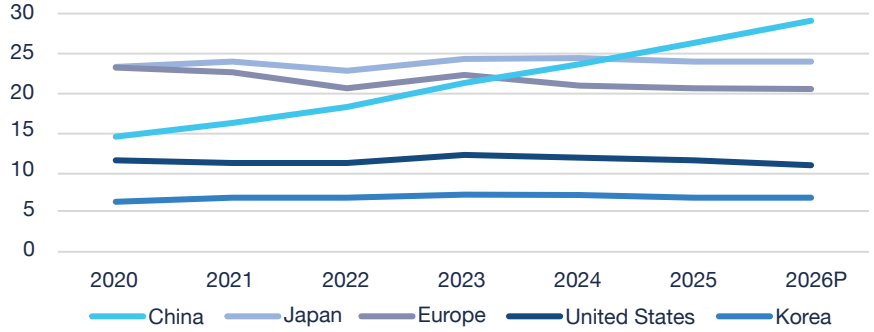
Source: Kerrigan Advisors

The share of OEM executives **expecting fewer dealers over the next five years rose to 45%** in 2026 from 33% in 2025, signaling growing OEM expectations for further dealer consolidation.

Dealers are also increasingly concerned about the implications of China's rising share of global auto sales, even if Chinese-branded vehicles never enter the US market. Since 2020, Chinese OEMs have roughly doubled their global auto sales and emerged as the leading source of automotive manufacturing and sales (see Chart 16). This rapid gain in global market share is pressuring competing OEMs' ability to invest in future products and support their sales and service networks. European manufacturers in particular face significant financial strain and declining profitability (see Chart 17), as they contend simultaneously with Chinese competition and US tariff expense.

> "The Chinese brands have doubled their market share [in the UK] from 7.5% to over 15%. In fact, in June, they were over 16%."
>
> Randall Seymore, COO of International Operations, Penske Automotive Group | Second Quarter 2026 Earnings Call

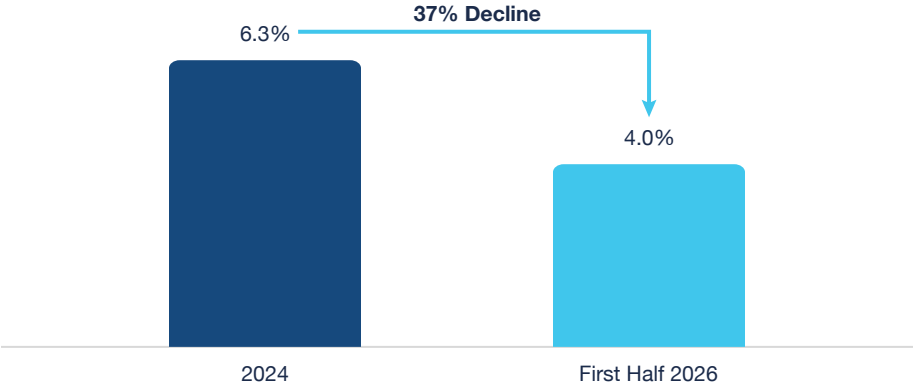
Chart 16 Annual Global Auto Sales by OEM Headquarters' Location, In Millions



Source: MarkLines Data Center, Public Filings, Visual Capitalist/F&I Tools, CNBC, S&P Global Mobility

Chinese OEMs are projected to sell 29.1 million vehicles globally in 2026, roughly double their 2020 volume, establishing **China as the largest and fastest growing force in global automotive sales** and increasing competitive pressure on legacy manufacturers.

Chart 17 European Automotive OEMs' Pre-Tax Profit-to-Revenue Margin

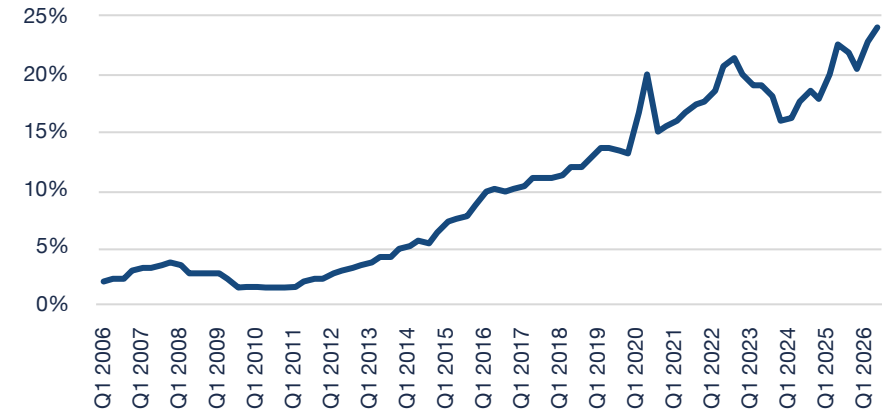


Source: Public Filings for Volkswagen Group, Mercedes-Benz Group, BMW Group, Stellantis N.V. & Renault

European OEMs' pre-tax margins declined 37% since 2024 to 4.0% in the first half of 2026, reflecting the **mounting financial pressure from Chinese competition, tariffs and restructuring costs**.

These concerns, coupled with rising FTC enforcement actions and the increasing use of longer-term auto loans that may pressure future new vehicle demand (see Chart 18 on the following page), are bringing more sellers to market and supporting today's elevated buy/sell activity. In most instances, these sellers are being met with strong buyer demand, as growth remains a powerful strategic imperative for dealers seeking to participate in auto retail's consolidated future. As a result, while blue sky values for the average dealership have dipped from 2022's peak, the Kerrigan Blue Sky Index is still 78% above pre-pandemic levels (see Chart 19 on the following page). Kerrigan Advisors expects the strength of today's valuations to continue through the remainder of 2026 and into 2027, supported by buyers' conviction that scale, market share and technology investment will increasingly determine future success.

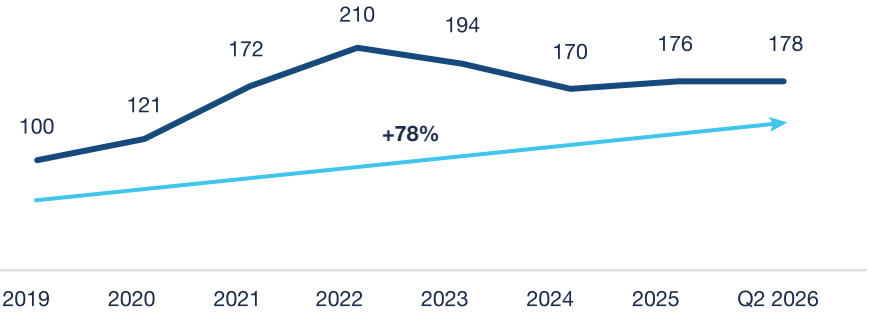
Chart 18 Share of Auto Loans 84+ Months



Source: Edmunds, Automotive News

The share of auto loans extending 84 months or longer has risen dramatically from historical levels, illustrating how **affordability pressures are pushing consumers toward longer financing terms** and potentially borrowing demand from future sales periods.

Chart 19 Kerrigan Blue Sky Index



Source: Kerrigan Advisors

Despite greater economic and industry uncertainty, the **Kerrigan Blue Sky Index remains 78% above its 2019 pre-pandemic level**, supported by strong buyer demand for scale, market share and high-performing franchises.



With this backdrop of the first half of 2026, Kerrigan Advisors has identified the following three trends, which we believe will meaningfully impact the buy/sell market for the remainder of this year and into 2027:

- With Increased Consolidation and Higher Transaction Values, the Buy/Sell Market Becomes More Complex
- Blue Sky Multiples Diverge Significantly by State
- Revenue per Rooftop and Local Market Share Drive Dealership Group Valuations

The Blue Sky Report® is informed by Kerrigan Advisors' market-leading sell-side advisory services, representing dealers across the United States. Since our founding in 2014, Kerrigan Advisors sold more dealerships and dealership groups than any other firm, generating over $11 billion in client proceeds in the sale of over 450 franchises. As the industry's ***only*** exclusively sell-side advisor, our conflict-free model ensures every engagement is aligned with our clients' personal and financial goals for a sale.

While we represent sellers, our deep and continuous engagement with the buyer community provides a comprehensive understanding of buyers' acquisition criteria, capital allocation strategies and valuation frameworks. This insight enables Kerrigan Advisors to precisely position each client's business and confidentially match them with the most strategic and well-capitalized buyers, maximizing transaction outcomes.

Our distinctive, team-based approach results in an actively managed sale process—from initial valuation through closing—differentiated from traditional brokerage models. We believe dealerships are among the most valuable investments in the automotive sector and deserve a professional sell-side process commensurate with that value. Our unique approach has established Kerrigan Advisors as the most trusted advisor to dealers seeking a once-in-a-generation sale.

We hope you find The Blue Sky Report® a valuable resource for understanding the evolving auto retail landscape and its implications for dealership values. We welcome the opportunity to discuss our insights and how Kerrigan Advisors can help you achieve your strategic objectives.

To have a confidential conversation with our team, please contact us.
We look forward to connecting with you.

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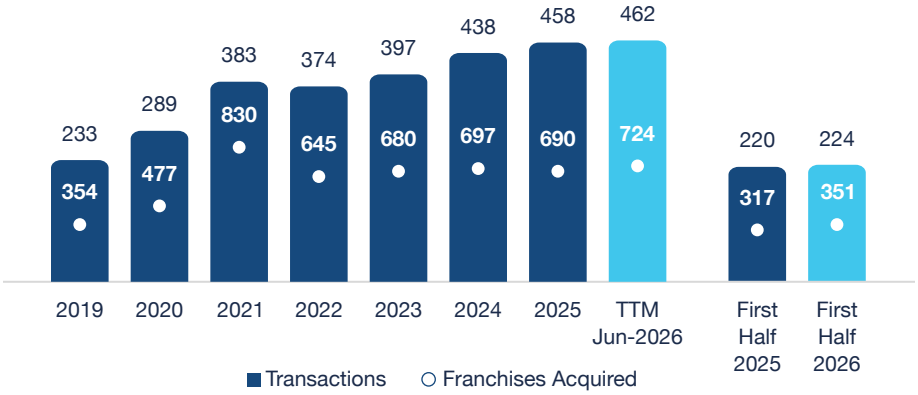
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TOTAL ACQUISITION ACTIVITY

The first half of 2026 transaction activity rose to 224 from 220 last year, a 2% increase (see Chart 20). The elevated pace of transactions resulted in a record 462 buy/sells in the trailing twelve months ending June 2026 and the second highest number of franchises acquired in a 12-month period at 724, behind only 2021's pandemic-inspired peak. In the first half of 2026, 351 franchises sold, relative to 317 franchises in 2025, an 11% increase. As a result, each transaction in the first half of 2026 represented nearly 10% more franchises, specifically 1.57 in 2026 relative to 1.44 in the first half of 2025.

Chart 20 Total Number of Completed Dealership Transactions and Franchises Acquired

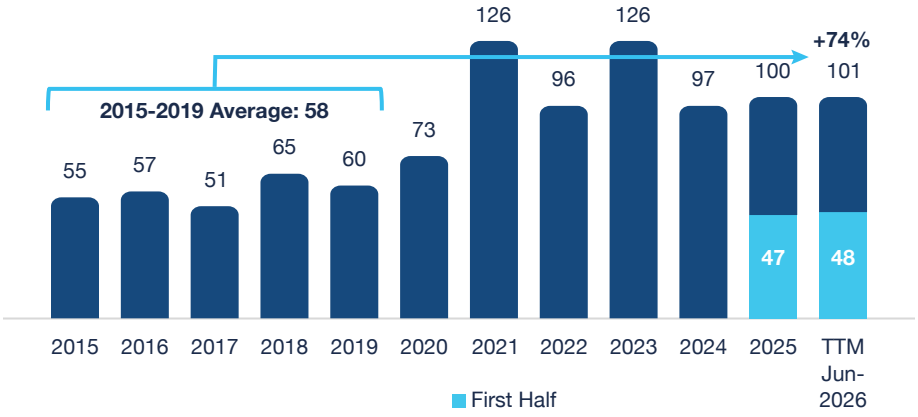


The first half of 2026 produced 224 transactions representing 351 franchises, while trailing twelve-month activity reached a record 462 transactions and 724 franchises—demonstrating the **continued acceleration of dealership consolidation**.

Source: The Banks Report, Automotive News, Kerrigan Advisors' Research

The trend toward more franchises sold per transaction is consistent with the elevated level of multi-dealership sales completed through the first half of 2026. 101 multi-dealership transactions closed in the trailing twelve months ending in June 2026, the third highest volume on record (see Chart 21). At this rate, group transactions remain 74% above pre-pandemic levels, supported by a strong first half in which 48 group sales occurred.

Chart 21 Total Number of Multi-Dealership Transactions

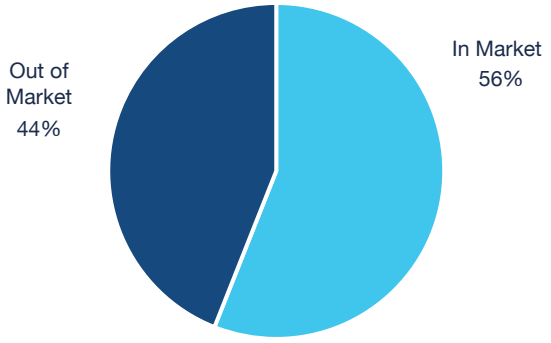


Multi-dealership activity remains **74% above pre-pandemic levels**, with 101 group transactions completed during the trailing twelve months and 48 in the first half of 2026.

Source: The Banks Report, Automotive News, Kerrigan Advisors' Research

While group transactions remain elevated, buyers also completed a high number of tuck-in and single point transactions with a bias to expand in their existing markets, rather than enter new markets. Through the second quarter, the majority of transactions (56%) were completed by buyers who already had a presence in the market in which they were acquiring (see Chart 22). This local and regional bias is consistent with the trend discussed in the Executive Summary about the importance of geographic scale to drive profitability and leverage technology for improved efficiencies.

Chart 22 Share of Franchises Acquired by Location of Buyer's Existing Presence, First Half 2026

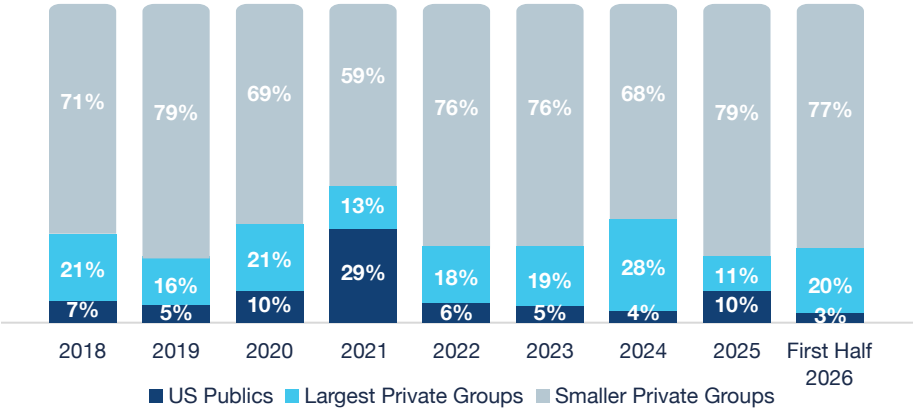


More than half of 2026's acquisitions (56%) were completed by buyers already operating in the target's market, demonstrating the industry's **increasing bias toward local and regional scale** rather than expansion into entirely new geographies.

Source: Automotive News, Kerrigan Advisors' Research & Analysis

Consistent with the industry's localized consolidation efforts, private groups (both small and large) continued to dominate the buy/sell market in the first half of the year based on number of franchises acquired. 77% of franchise acquisitions were completed by smaller private groups, while 20% were made by private groups in the Top 150 Dealership Group list per Automotive News (see Chart 23). The largest private groups almost doubled their buy/sell market share as they continue to lean into growth, believing it is imperative for their future success. Among the private dealers, the industry is increasingly bifurcating between those who are seeking expansion and those planning an exit. This growing divide is also fueling the rise of outside capital discussed later in this report, as expansion-minded groups increasingly seek equity and debt partners to fund growth.

Chart 23 Share of US Franchise Acquisitions by Buyer Type

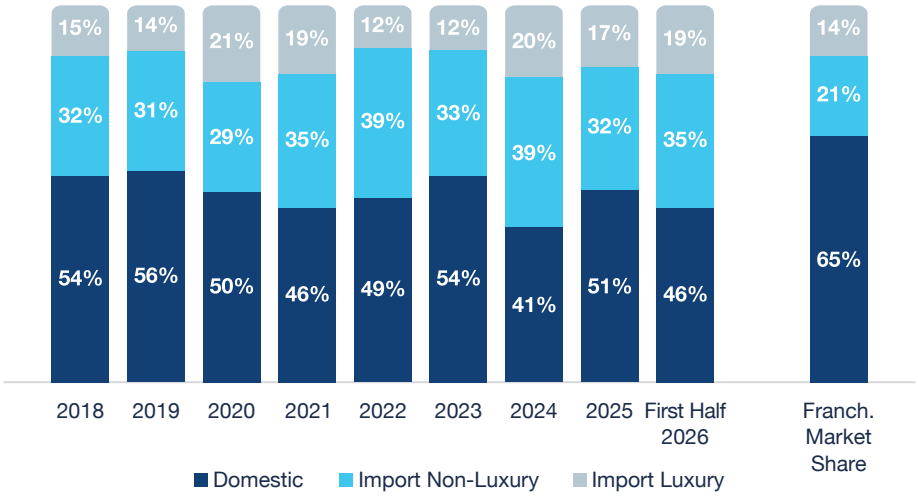


Private dealers continue to dominate the 2026 buy/sell market, accounting for 97% of franchises acquired in the first half, while the largest private groups nearly doubled their market share, highlighting the growth imperative among scaled private consolidators.

Source: The Banks Report, Automotive News, Kerrigan Advisors' Research

Buy/sell market share by franchise type continued to shift in the first half of 2026, with domestic brands' share of the market declining to 46% from 51% in 2025 (see Chart 24 on the following page). Buyer demand remains heavily concentrated in top import franchises, both luxury and non-luxury. Given the constrained supply of top-performing import franchises, their rising share of the buy/sell market is a logical extension of today's active consolidation environment, as dealers compete to secure regional scale and lock in ownership of these marquee franchises for the long-term.

Chart 24 Share of US Franchise Acquisitions by Franchise Type



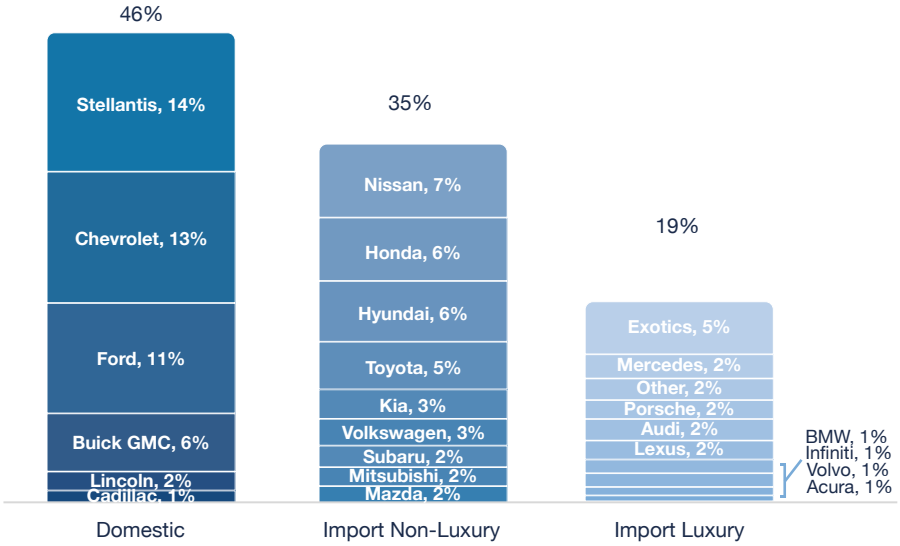
Source: The Banks Report, Automotive News, Kerrigan Advisors' Research

Domestic franchises' buy/sell market share declined to 46% in the first half of 2026 as **buyer demand shifted toward scarce import franchises**, particularly the most desirable luxury and non-luxury brands.

Among the specific franchises being acquired as shown in Chart 25, Stellantis led the domestics with 14% buy/sell market share, while Nissan led the imports with 7%. Their leadership in their respective segments demonstrates that dealers continue to divest of these franchises at an elevated rate, while buyers are willing to acquire them as their turnaround is underway. The acquirers of Stellantis and Nissan franchises believe their investment could pay off handsomely based on the low cost of entry and the potential upside should these OEMs successfully execute on their stated plans to regain market share and improve dealership profitability, potentially resulting in a very high return on investment.

Interestingly, in the import luxury segment the opposite is occurring. Buyers are squarely focused on the top, finite franchises in the marketplace and are often paying steep premiums to ensure they capture what are sometimes once-in-a-lifetime opportunities to add marquee brands to their portfolio. This was the case this quarter with the acquisition of Kerrigan Advisors' client Paramount Automotive's Foreign Cars Italia by Hendrick Automotive Group in June 2026, which included Ferrari in Charlotte, North Carolina—Hendrick's first Ferrari franchise and the only one based in Hendrick's headquarter market.

Chart 25 Share of Franchise Acquisitions by Segment and Brand, First Half 2026



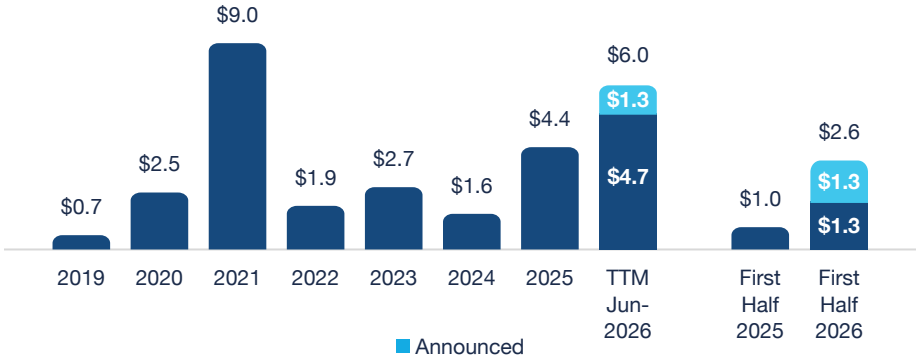
Source: Automotive News, Kerrigan Advisors' Research
Note: Percentages may not total 100% due to rounding.

In the first half of 2026, **Stellantis and Nissan led buy/sell activity within their respective segments**, reflecting turnaround-driven acquisition opportunities, while buyers of luxury franchises remained squarely focused on scarce, marquee brands that rarely become available for acquisition.

US PUBLIC ACQUISITION ACTIVITY

US public auto retailers spent $1.3 billion on dealership acquisitions in the first half of 2026 (see Chart 26), $300 million more than 2025. In the second quarter, AutoNation acquired Kerrigan Advisors' client Toyota of Newnan in Georgia, as well as three luxury franchises in Northern California (Mercedes, Porsche and Audi); Lithia acquired a Kia dealership in Tucson, Arizona; and Group 1 acquired a Honda and Toyota dealership in Georgia. In addition, Group 1 announced the third largest transaction in the industry's history, the acquisition of Kerrigan Advisors' client, Hennessy Automobile Companies for $1.3 billion (expected to close in the fourth quarter). Including the Hennessy acquisition, the publics have closed or announced $2.6 billion worth of US dealership acquisitions in the first half of 2026, leading to $6.0 billion spent in the trailing twelve months, the second highest level in industry history.

Chart 26 US Public Dealer Groups' Dealership Acquisition Spending, $ in Billions

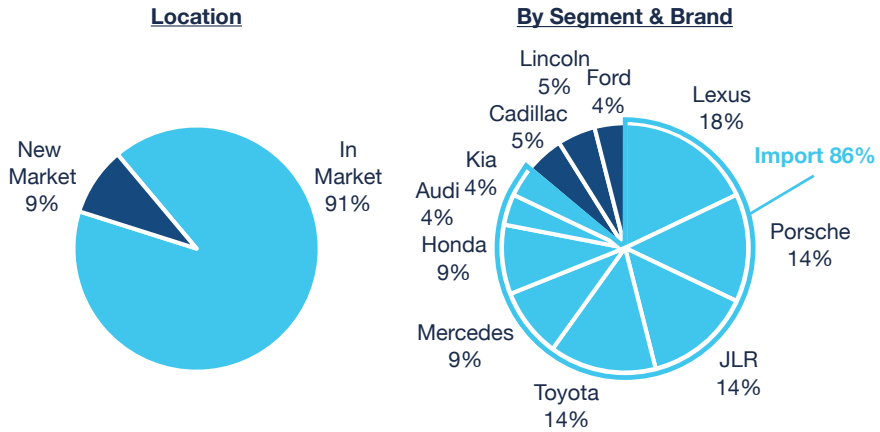


Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Kerrigan Advisors' Analysis

Including announced transactions, the publics committed $2.6 billion to US dealership acquisitions in the first half of 2026, pushing trailing twelve-month spending to $6.0 billion—the **second-highest level in industry history**.

Notably, 91% of the publics' acquisitions in the first half of 2026 were in their existing operating markets (see Chart 27). The publics' local-market bias mirrors the broader industry pattern discussed in the Total Acquisition Activity section of this report, where 56% of all first half transactions were completed by buyers already operating in the target market. In terms of brand make-up, the publics diverged significantly from the broader market with 86% of franchises acquired being imports and Lexus garnering the most market share at 18%, an impressive feat given Lexus represents less than 1% of franchise market share.

Chart 27 US Public Dealer Groups' Breakdown of Franchises Acquired by Location and Brand, 2026 Announced



Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Kerrigan Advisors' Analysis

An extraordinary 91% of the publics' announced 2026 acquisitions were in existing markets and 86% were import franchises, demonstrating their **highly targeted strategy of building market density around premium brands**.

"It is important that you pay a competitive rate you compete for properties that are attractive to you. And for us, that means they're generally in brands that we're strong in and in locations and areas where we have density."

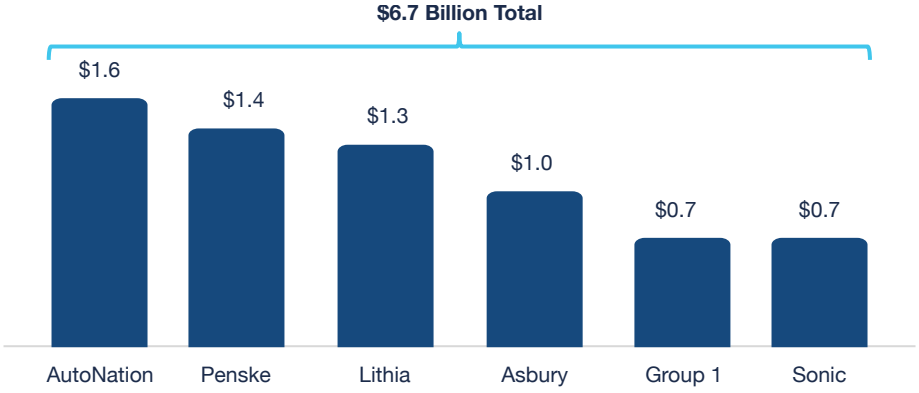
Thomas Szlosek, EVP & CFO, AutoNation | Second Quarter 2026 Earnings Call

"We plan to execute the same proven playbook in Atlanta as we have in other cluster markets such as Houston and Boston, to offer customers great convenience and choice while driving operating efficiency and attractive long-term returns for our shareholders."

Daryl Kenningham, President & CEO, Group 1 Automotive | Second Quarter 2026 Earnings Call

The publics' near-record acquisition spending is fueled by their tremendous access to capital both from cash flow from operations and the capital markets. Through the first half of 2026, the publics raised a total of $639 million from existing operations, resulting in a collective $6.7 billion available for acquisitions (see Chart 28). In addition, the debt markets continue to look favorably on these companies. By way of example, Group 1 received a $1.25 billion 364-day senior unsecured bridge facility to complete the Hennessy acquisition and plans to raise $1.25 billion in the bond market post-close.

Chart 28 US Public Dealer Groups' Total Liquidity as of Q2 2026, $ in Billions



Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic

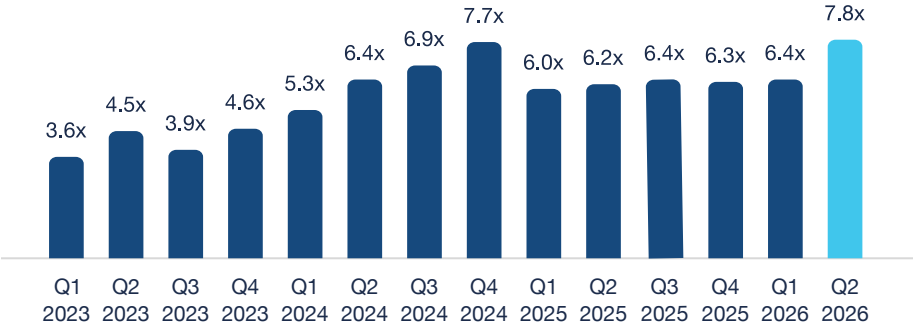
The six public dealer groups collectively hold **$6.7 billion of available liquidity** at the end of the second quarter of 2026, providing substantial firepower to pursue acquisitions even as transaction values reach record levels.

"We have a great balance sheet with phenomenal liquidity."

Thomas Szlosek, EVP & CFO, AutoNation | Second Quarter 2026 Earnings Call

Wall Street clearly supports the thesis that the largest auto retailers are well positioned to capture market share and higher profits with AI's transformative capabilities, as demonstrated by Carvana's success. As of July 31, 2026, the publics' average blue sky multiple based on second quarter trailing twelve months earnings hit a recent high of 7.8x, more than double the pandemic low (see Chart 29 on the following page). At this valuation level, more acquisitions are accretive to the publics' earnings, prompting the expectation of continued acquisition activity by these companies.

Chart 29 US Public Dealer Groups' Estimated Blended Average Blue Sky Multiple

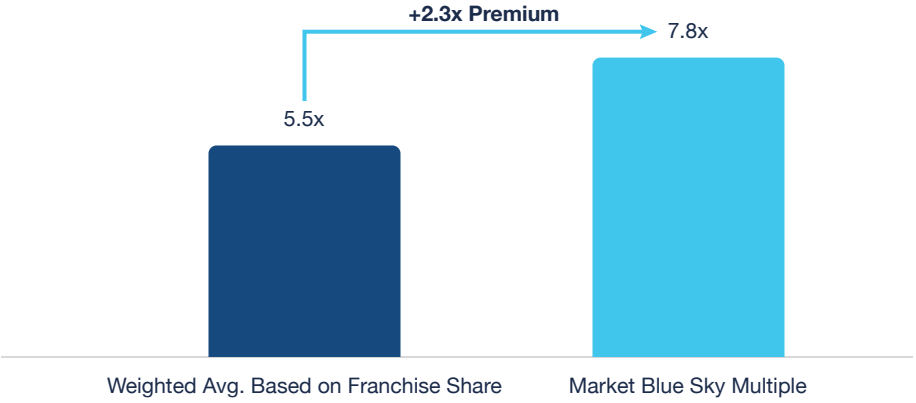


Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Kerrigan Advisors' Analysis

The publics' average blue sky multiple reached a recent high of 7.8x in the second quarter of 2026, more than double its pandemic-era low, creating a **powerful valuation arbitrage supporting accretive acquisitions.**

Interestingly, when assessing the publics' blue sky multiples relative to their franchise make-up and Kerrigan Advisors' published private multiples, the case for accretive acquisitions is even more evident (see Chart 30). The publics' weighted private blue sky multiple based on franchise make-up and our current average multiples for their franchises (see pages 32 and 33) results in an estimated private market blue sky multiple of 5.5x, which is 2.3x below Wall Street's blue sky multiple for this cohort. The publics' elevated market valuation reflects the liquidity premium these companies enjoy because they are actively traded on the US stock market and demonstrates their clear ability to continue their growth through accretive acquisitions.

Chart 30 US Public Dealer Groups' Estimated Blue Sky Multiple, Market vs. Private Weighted Average by Franchise, as of Q2 2026



Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Microsoft Finance, Kerrigan Advisors' Research, Analysis & Blue Sky Multiples

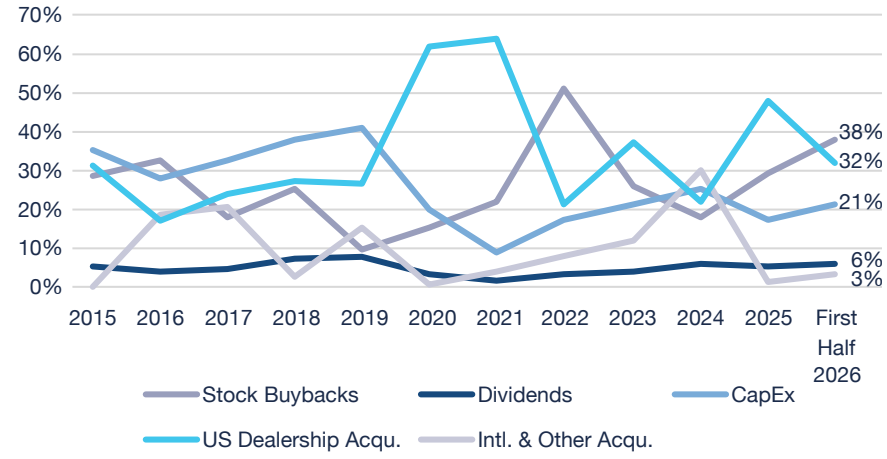
The publics trade at an estimated 7.8x blue sky multiple versus a 5.5x weighted private-market multiple for their franchise mix, a **2.3-turn valuation premium that strongly favors acquisition-led growth**.

While the publics have an acquisition bias based on their current valuation metrics, for the first half of 2026 before their market capitalizations spiked in July, these companies allocated the most capital to stock buybacks, at 37% of total capital allocation (see Chart 31 on the following page). That said, with the inclusion of the announced Hennessy acquisition by Group 1, US dealership acquisitions would be the dominant recipient of public spending. Notably, international and other investments remained near their record lows, as these companies demonstrate a preference for reinvesting in the US and the pure play of investing in new vehicle retailers, relative to industry adjacencies.

"We're going to follow the consistent process of having a flexible approach to allocating capital across all the different buckets. We've been doing that for a very long time. I think it's worked well for us, and we will continue to do that as we approach the future."

Richard Shearing, COO of North America Operations, Penske Automotive Group | Second Quarter 2026 Earnings Call

Chart 31 US Public Dealer Groups' Capital Allocation Share



Stock buybacks represented the largest share of first-half capital allocation before the publics' July valuation surge; however, including the Hennessy-Group 1 transaction would make US dealership acquisitions the largest category, reinforcing **the publics' renewed preference for US acquisitions**.

Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Microsoft Finance, Kerrigan Advisors' Research & Analysis

"If you look back over the last five years from 2021, look at the amount of stock that we bought back, 38% of the company, that's been a significant investment in returning capital to our shareholders. Today, we thought that the best use of our capital was to continue to grow our company for the long-term."

Daniel McHenry, CFO & CEO of UK Operations, Group 1 Automotive, Referring to Hennessy Transaction
Second Quarter 2026 Earnings Call

"We have an open mind to considering all the opportunities that might be out there."

Mike Manley, CEO, AutoNation | Second Quarter 2026 Earnings Call

Kerrigan Advisors is Honored to Announce the Sale of Paramount Automotive's Foreign Cars Italia Platform in Charlotte and Greensboro, North Carolina, to Hendrick Automotive Group



"Paramount has always stood for excellence and doing right by our customers, employees and community. This is why Kerrigan Advisors, whose track record reflects these same values, was the only firm we considered to guide us through this momentous transaction for our family."

Benny Yount, CEO & Owner of Paramount Automotive
Pictured with Rick Hendrick (left) and Erin Kerrigan (center)



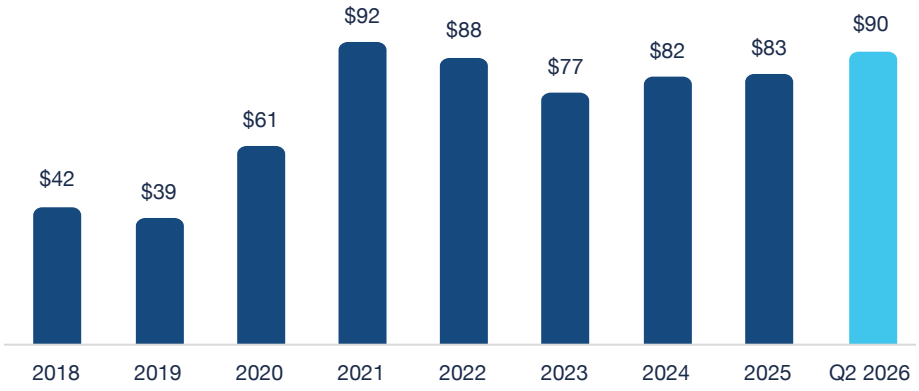
SECOND QUARTER 2026 BUY/SELL TRENDS

Kerrigan Advisors' leading sell-side advisory business, as well as our experience offering strategic consulting services to growing dealership groups, provides our firm with a unique perspective on the trends impacting today's auto retail buy/sell market and franchise values. For the second quarter of 2026, we identified three trends which we expect to impact the buy/sell market for the remainder of this year and into 2027.

With Increased Consolidation and Higher Transaction Values, the Buy/Sell Market Becomes More Complex

The auto retail buy/sell market is no longer the "back-of-the-napkin" endeavor of its past. Industry consolidation has entered a new phase in which the size and scope of transactions are creating a more complex and institutional marketplace, requiring greater investment sophistication, access to capital and transaction expertise. Today, Kerrigan Advisors estimates the average multi-dealership transaction is valued at $90 million, a dramatic increase from pre-pandemic levels (see Chart 32). Part of this growth is being driven by a larger number of franchises being represented in each multi-dealership transaction, reaching 3.5 franchises per sale in 2026 (see Chart 33).

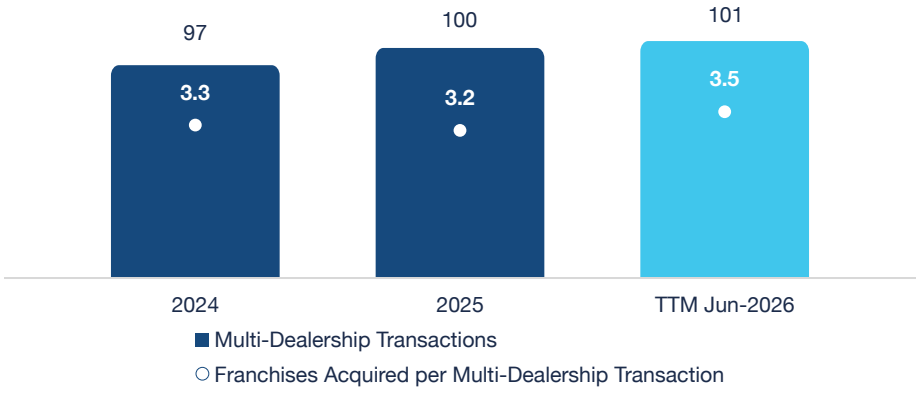
Chart 32 Kerrigan Advisors' Estimated Average Group Transaction Enterprise Value (Including Real Estate, Excluding Working Capital, FF&E), $ in Millions



Source: NADA Industry Analysis, Kerrigan Advisors' Research & Analysis

Kerrigan Advisors estimates average multi-dealership transaction values have risen from ~$40 million before the pandemic to $90 million today. **Larger transaction values are institutionalizing the buy/sell market**, increasing the importance of capital access, transaction expertise and sophisticated deal execution.

Chart 33 Number of Multi-Dealership Transactions and Number of Franchises Acquired per Multi-Dealership Transaction

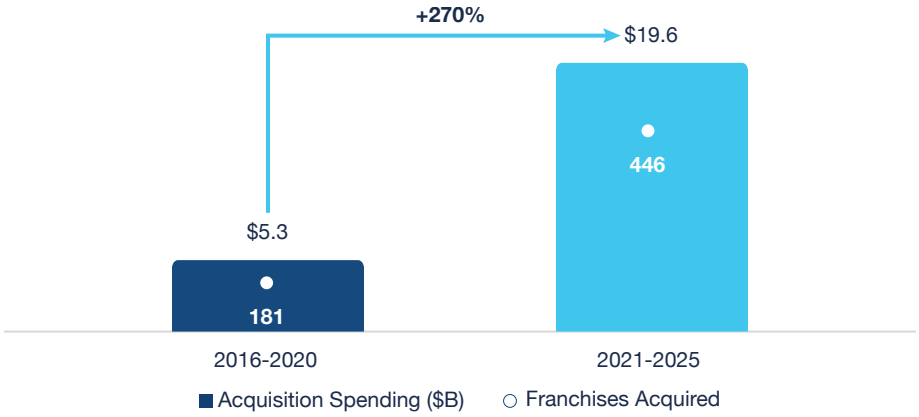


Source: Automotive News, Kerrigan Advisors' Research & Analysis

Multi-dealership transactions remain near record levels, while the average number of franchises sold per group transaction increased to 3.5 in the first half of 2026. **Group transactions are becoming larger and more complex**, often requiring coordination across multiple OEMs and approval frameworks.

The growth in transaction size is perhaps best illustrated by the US public dealer groups' acquisition activity. Over the last five years, the publics deployed $19.6 billion to acquire 446 franchises compared to $5.3 billion and 181 franchises during the prior five-year period (see Chart 34 on the following page), representing increases of 270% and 146% respectively. The significant rise in both capital deployed and dealerships acquired demonstrates the increasing scale and complexity of today's buy/sell market.

Chart 34 US Public Dealer Groups' Total Acquisition Spending ($ in Billions) and Number of Franchises Acquired

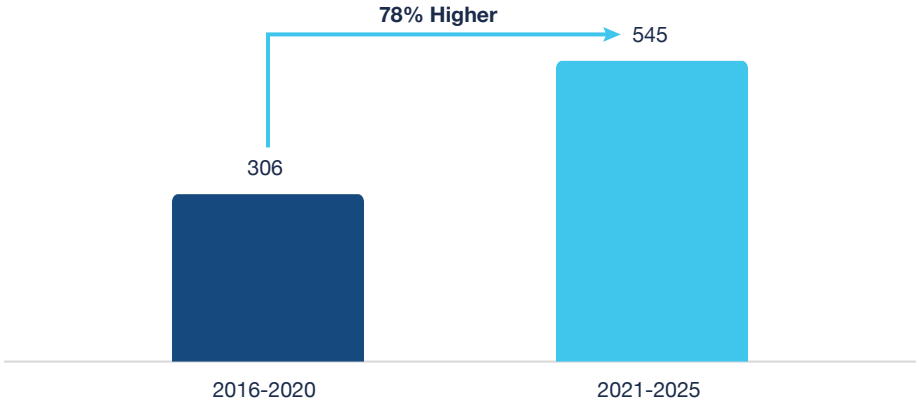


Since 2021, the publics have deployed over $19 billion to acquire 446 franchises, compared with $5.3 billion and 181 franchises from 2016 to 2020. This **270% increase in acquisition spending** illustrates how dramatically the scale and capital requirements of dealership buy/sells have expanded.

Source: SEC Filings for Asbury, AutoNation, Group 1, Lithia, Penske & Sonic, Kerrigan Advisors' Research & Analysis

The growing number of multi-dealership transactions also adds complexity to the buy/sell process. The industry completed 545 multi-dealership sales in the last five years, 78% higher than the prior five years (see Chart 35). Transactions involving multiple franchises require approvals from multiple OEMs, making it more challenging to identify buyers who satisfy each manufacturer's approval criteria and are not constrained by framework limitations. This challenge is particularly acute for highly sought-after franchises, such as Lexus, where ownership requirements and framework restrictions are more stringent. However, even lower-demand franchises can complicate a multi-dealership transaction when OEM approval requirements limit the universe of buyers capable of acquiring the entire group.

Chart 35 Number of Multi-Dealership Transactions

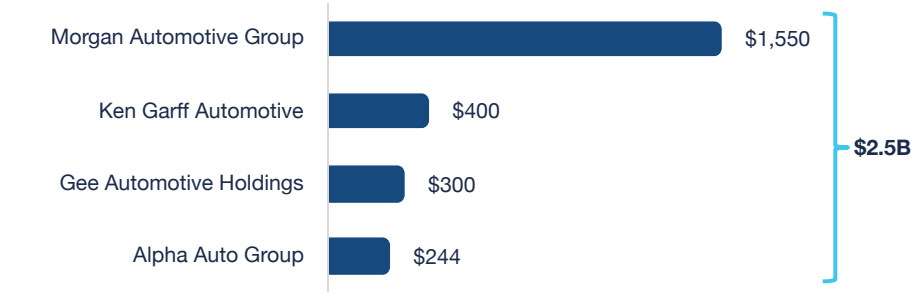


The industry completed 545 multi-dealership transactions from 2021 to 2025, versus 306 in the prior five-year period. **The rising number of multi-dealership transactions adds complexity to buy/sells, as they require multiple OEM approvals and larger pools of acquisition capital.**

Source: The Banks Report, Automotive News, Kerrigan Advisors' Research & Analysis

In many cases, the growth in transaction sizes (both in price and number of dealerships) is stretching beyond the capacity and comfort zone of legacy dealers' balance sheets. This situation is precipitating the need for more buyers to tap into outside capital to effectively participate in the next phase of major industry consolidation. That capital is coming in the form of both debt and equity. On the debt side, private dealers are increasingly accessing the bond markets to raise capital for expansion. Since 2019, four private companies raised $2.5 billion from the bond market, primarily for the purpose of acquisitions (see Chart 36 on the following page).

Chart 36 Bond Issuances by Private Dealership Groups, $ in Millions

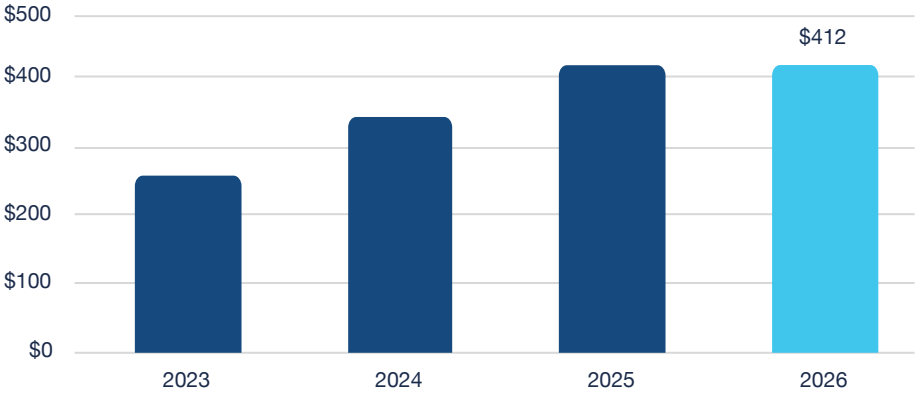


Source: EDGAR Filings

Four private dealership groups have raised nearly $2.5 billion in the bond market since 2019, led by Morgan Automotive Group's $1.55 billion. As acquisition sizes stretch traditional dealer balance sheets, **private groups are accessing new sources of debt capital** to fund continued consolidation.

On the equity side, a growing pool of sophisticated investors, including both institutional investors and family offices, are seeking investment exposure to auto retail. The catalyst for this growing demand is the increasing size of dealership transactions, which have reached a scale that meets private investors' investment criteria, typically above $50 million. For many of these investors, there must also be a clear path to deploy significant capital over time for an investment to be worthwhile. As private capital investment throughout the US economy continues to grow (see Chart 37), Kerrigan Advisors expects equity investors to become an increasingly meaningful source of growth capital for consolidating dealership groups. Through 2026, Kerrigan Advisors estimates 13% of the Top 100 Dealership Groups have equity partners as part of their capital structure. Over the last decade, the total number of dealerships owned by these equity-backed groups has more than doubled to nearly 500 (see Chart 38).

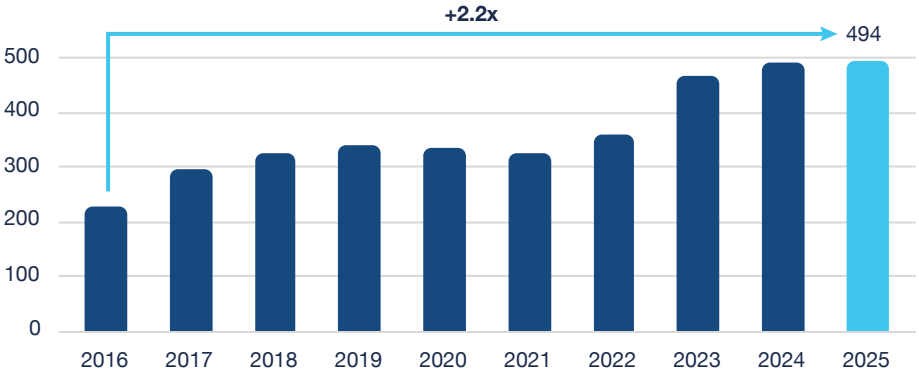
Chart 37 Sponsor M&A Entry Investment, First Half, $ in Billions



Source: JPMorgan

Private equity sponsor entry investment has risen considerably since 2023. The broader availability of institutional capital is increasingly relevant to auto retail as **dealership transactions reach private investors' scale requirements**, expanding the potential pool of capital available to consolidators.

Chart 38 Number of Dealerships Owned by Top 100 Groups Backed by Outside Capital



Source: Automotive News, Kerrigan Advisors' Research & Analysis

Dealerships owned by Top 100 groups backed by outside capital have more than doubled in the last decade, reaching 494 in 2025. **Outside investors are becoming an increasingly important component of dealer growth**, as larger groups seek the capital required to compete in an accelerating consolidation market.

As capital structures become more complex, OEMs will likely adapt their historical practices and policies regarding buy/sell approvals. Many OEM approval frameworks were developed around the industry's legacy ownership model, which generally assumed a more concentrated ownership structure and limited participation from outside investors. As private capital becomes an increasingly important source of funding for dealership acquisitions, some OEMs are struggling to reconcile these legacy policies with the industry's evolving capital needs. Kerrigan Advisors expects the next decade will increasingly test OEM limits on outside investor ownership as private capital becomes a more meaningful component of dealership group capital structures.

With all of these complexities, Kerrigan Advisors has heard from OEMs that they are denying more transactions either because they are not comfortable with the capital structure/investor or because the buyer is not "green" with their franchise in other markets and thus not approvable. While the drumbeat of consolidation is getting ever louder by the day, the industry still has some adjusting to do in order to allow for the free flow of capital into the buy/sell market. Kerrigan Advisors expects consolidating trailblazers will continue to do their best to break down some of the barriers historically limiting greater buy/sell activity. Buyers and sellers will both benefit if they do.

Blue Sky Multiples Diverge Significantly by State

Location has always been an important driver of dealership valuation. Today, geography is even more critical, particularly the state in which a dealership is located. This shift is being driven by the widening divergence in state tax, regulatory, housing and economic policies, which is increasingly influencing where Americans choose to live and businesses choose to invest.

Over the past several years, interstate migration patterns have increasingly favored lower-tax, lower-cost and more business-friendly states, including Texas, Florida, the Carolinas, Georgia, Arizona and Tennessee, while higher-tax, higher-cost states such as New York, California and Illinois have experienced significant domestic outmigration (see Charts 39 and 40 on the following page). Since 2020, New York and California lost over 200,000 residents, while Texas and Florida have gained more than 2.5 million and 1.9 million, respectively. These population shifts have important implications for auto retail, as differences in state economic and governing policies increasingly influence population growth and, ultimately, the long-term attractiveness and valuation of dealership markets.

Chart 39 Top and Bottom 10 States for Numeric Population Change, 2020 vs. 2025

Top 10 States

Rank	State	Numeric Change
1	Texas	+2,560,323
2	Florida	+1,924,311
3	North Carolina	+756,576
4	Georgia	+588,887
5	Arizona	+465,714
6	South Carolina	+452,024
7	Tennessee	+402,757
8	Washington	+293,501
9	Utah	+267,303
10	New Jersey	+259,191

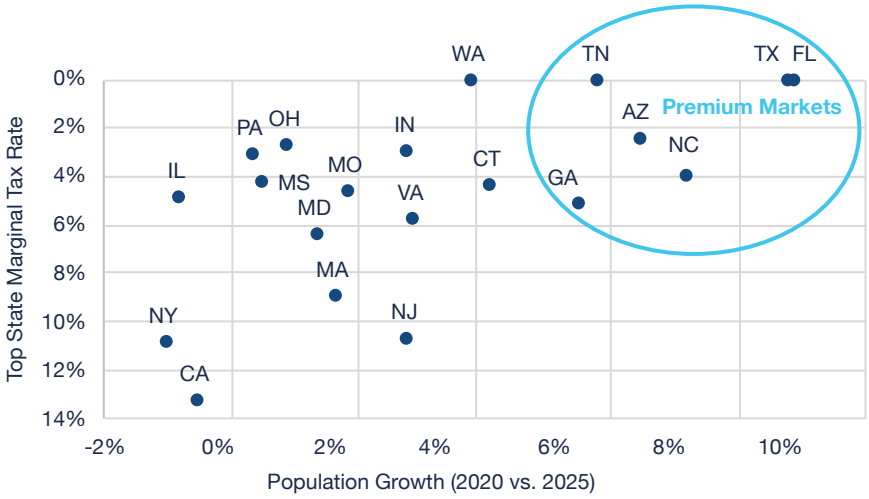
Bottom 10 States

Rank	State	Numeric Change
1	New York	-201,269
2	California	-200,394
3	Illinois	-102,600
4	Louisiana	-39,705
5	West Virginia	-27,612
6	Hawaii	-22,447
7	Mississippi	-7,104
8	Vermont	+1,586
9	Alaska	+3,887
10	New Mexico	+8,006

Source: US Census Bureau

Since 2020, Texas, Florida, North Carolina, Georgia and Arizona led the nation in population gains, while New York, California and Illinois saw meaningful population declines. **Population growth is increasingly shaping dealership demand**, as buyers favor markets with expanding consumer bases and stronger long-term sales potential.

Chart 40 Change in Population by State vs. Top Marginal Tax Rate – Top 20 Most Populous States

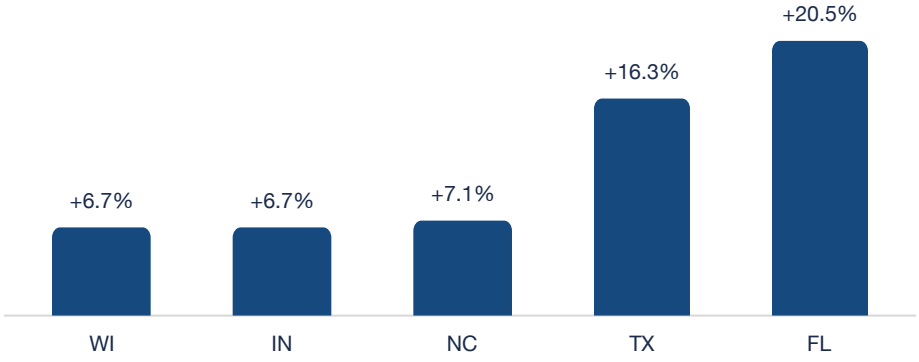


Among the nation's largest states, the strongest population growth is concentrated in many lower-tax markets, including Texas, Florida and Tennessee. This relationship is reinforcing **the valuation premium for business-friendly states**, where buyers can underwrite both economic growth and favorable operating conditions.

Source: US Census Bureau

These population shifts are also having a meaningful impact on state auto retail markets. Since 2019, states experiencing stronger population growth have generally increased their share of US new vehicle sales, while low- or no-growth states have seen their share decline (see Chart 41). This divergence demonstrates the economic impact of interstate migration on auto retailers and, importantly, has meaningful implications for dealership valuations. As buyers increasingly underwrite a market's long-term population and vehicle sales growth, franchises located in states gaining population and auto retail market share are likely to command stronger valuations relative to comparable franchises in slower-growth markets.

Chart 41 Change in Share of New Vehicle Registrations, 2019 vs. 2025



Vehicle sales are following population growth: Florida and Texas increased their share of US new vehicle registrations by more than 20% and 16%, respectively, since 2019, while several slower-growth states lost share.

Source: US Census Bureau, NADA Industry Analysis, S&P Global, IHS Markit

Franchises located in the highest population growth states are in the greatest demand and command higher blue sky multiples as a result. Buyers can logically underwrite higher future sales and earnings in these markets, as population growth provides an organic source of vehicle sales growth and reduces the risk associated with future economic downturns. Importantly, this growth does not require a dealership to take market share from competitors; rather, an expanding population increases the size of the addressable market, making future sales growth a considerably less risky assumption. By contrast, in low- or negative-growth markets such as California, dealerships must increasingly take share from other retailers to grow sales. This zero-sum competitive environment can pressure margins, particularly as retailers compete more aggressively for a stagnant or shrinking pool of vehicle buyers.

In this environment, the state in which a dealership is located has never been more impactful to blue sky multiples. Kerrigan Advisors has long noted the importance of geography in determining franchise valuations. As noted on page 26 in the Franchise Blue Sky Multiple Drivers section of this report, dealerships located in high population growth markets, such as Texas and Florida, command premium blue sky multiples, while those in contracting geographies experience weaker buyer demand and average or discounted multiples. Today, this valuation differential is more pronounced, adding as much as 2.5 turns to blue sky multiples in high-growth states such as Texas and Florida and average or discounted multiples in states with contracting populations and challenging business operating environments.

As buyers chart the course of their future expansion, Kerrigan Advisors expects significant valuation premiums to persist in the most attractive states in which to do business.

Revenue per Rooftop and Local Market Share Drive Dealership Group Valuations

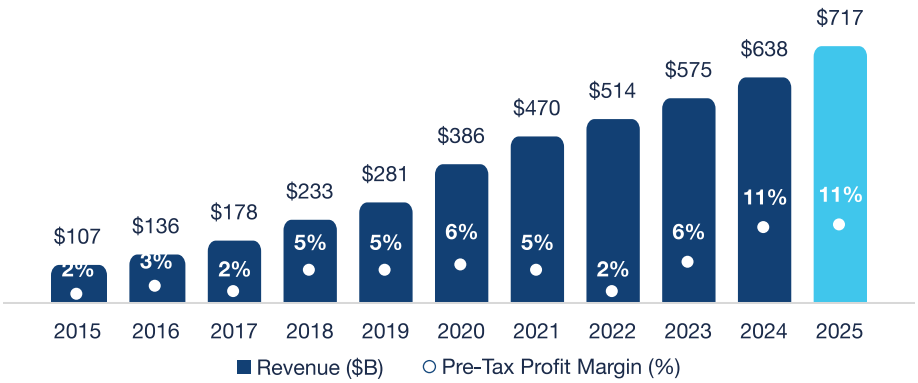
Historically, higher-performing dealerships often received lower valuation multiples because buyers viewed their outsized performance as difficult to sustain. Overperformance was frequently attributed to a highly involved dealer or general manager whose departure following a sale could put future earnings at risk. In other words, buyers often viewed superior sales and profitability as personality-driven rather than the result of sustainable market positioning, systems and processes.

Today, that paradigm is shifting considerably as industry sales consolidate into fewer rooftops and auto retail becomes increasingly driven by technology and geographic sales density. Buyers are placing greater value on the highest-performing franchises in each metro market, as well as dealership groups with significant local market share. Increasingly, buyers believe outsized profitability is the product of scale, both at the individual rooftop and local market level, and therefore more sustainable than previously assumed. Higher revenue per rooftop provides greater operating leverage, while greater local market share creates additional opportunities to leverage advertising, inventory, personnel and technology across a larger revenue base. As a result, high-volume dealerships and groups with significant market share are increasingly commanding premium valuations.

> "We see better SG&A leverage in our larger clusters—the larger the cluster market, the better SG&A leverage we get."
>
> Daryl Kenningham, President & CEO, Group 1 Automotive | Second Quarter 2026 Earnings Call

This valuation shift is further supported by auto retail's transition toward a technology-driven business model that is less dependent on individual leadership to generate superior performance. As technology and AI increasingly institutionalize sales processes and operating efficiencies, buyers are more likely to view outsized dealership performance as programmatic rather than dependent on a single individual. In this respect, auto retail is beginning to resemble other retail sectors where volume and operating leverage, rather than high gross margins, are the primary drivers of profitability. Amazon provides perhaps the clearest example: its tremendous growth in revenue, combined with a highly scalable operating model, ultimately produced significantly higher profit margins (see Chart 42 on the following page). For auto retailers, a similar shift toward higher volume, lower operating costs and greater technology-enabled scale will make revenue per rooftop and local market share increasingly important drivers of both profitability and valuation.

Chart 42 Amazon's Gross Margin and Pre-Tax Profit Margin



Source: SEC Filings for Amazon

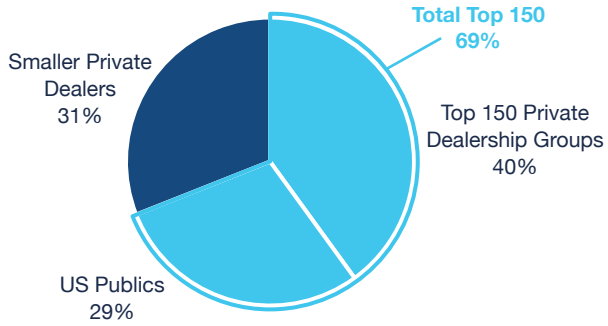
As a result of Amazon's tremendous revenue growth over the last decade, the company's EBIT margin has also expanded significantly, illustrating how **scale can translate into greater operating leverage**. Kerrigan Advisors expects a similar dynamic in auto retail as technology enables dealers to increase revenue per rooftop without proportionately increasing operating costs.

"The Hennessy store's average revenue is $170 million, significantly larger than an average Group 1 store and more than double the national average."

Daryl Kenningham, President & CEO, Group 1 Automotive | Second Quarter 2026 Earnings Call

Today, the Top 150 Dealership Groups, both public and private, already own 69% of the most desirable franchises in the fastest-growing major metro markets (see Chart 43). In certain markets, such as Raleigh, their ownership share exceeds 85%, demonstrating how concentrated many of the industry's highest-growth markets have already become. This consolidation is even more pronounced among the country's highest-volume dealerships (the Top 500 Dealerships based on volume per WardsAuto), with the Top 150 now owning 94% of these rooftops (see Chart 44 on the following page). Kerrigan Advisors expects this concentration to continue rising as consolidators increasingly prioritize high-volume franchises and greater local market share over simply adding rooftops.

Chart 43 Ownership of Top Franchises in Top 10 Fastest Growing Metros by Type



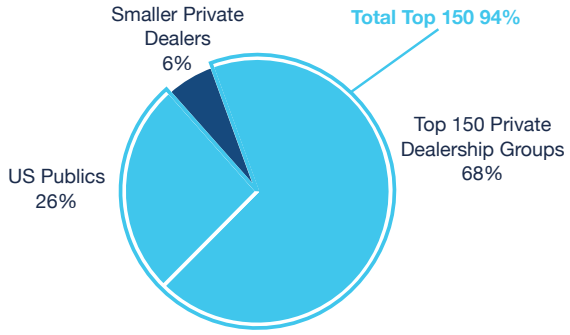
The Top 150 public and private dealership groups already own 69% of the most desirable franchises in the fastest-growing major metro markets, with ownership exceeding 85% in certain markets such as Raleigh. **Premium franchises in high-growth markets are increasingly concentrated** among the industry's largest consolidators.

Source: US Census Bureau, Kerrigan Advisors' Research & Analysis
Note: Franchises included: Porsche, Lexus, BMW, Mercedes, Land Rover, Toyota & Honda. Markets included: Austin, TX; Charlotte, NC; Dallas, TX; Houston, TX; Jacksonville, FL; Orlando, FL; Phoenix, AZ; Raleigh, NC; San Antonio, TX; and Tampa, FL

"We're very focused in terms of our M&A and that what we want to do is to build density in our clusters."

Thomas Szlosek, EVP & CFO, AutoNation | Second Quarter 2026 Earnings Call

Chart 44 Wards' Top 500 Dealerships based on Volume by Owner Type



Source: WardsAuto, Kerrigan Advisors' Research & Analysis

Of Wards' Top 500 highest-volume dealerships, 68% are owned by Top 150 private groups and another 26% by the publics, leaving just 6% in the hands of other private dealers. **This scarcity of unconsolidated high-volume rooftops is expected to support premium valuations** as buyers prioritize revenue per dealership and local market share.

As vehicle sales increasingly concentrate among fewer dealers, demand for the highest-volume dealerships and dealership groups within each market is expected to outpace the limited supply of these assets, driving premium valuations. The public dealer groups' recent acquisition activity supports this thesis, with average revenue per acquired dealership rising to record levels alongside acquisition valuations (see Chart 3 on page 2). In this environment, dealers seeking to maximize the value of their groups should increasingly focus on two key strategic metrics: revenue per rooftop and their local market share. As the industry consolidates, both are becoming key drivers of buyer demand and, ultimately, dealership group valuation.

"The acquisition is about much more than just acquiring an outstanding group of great stores. It is also about Group 1 repositioning our portfolio around stores that fit our desired success profile, premium brands, high-revenue rooftops, growing markets and clusters."

Daryl Kenningham, President & CEO, Group 1 Automotive | Second Quarter 2026 Earnings Call

Kerrigan Advisors is Pleased to Announce the Sale of High Value Honda Dealership in South Florida

HONDA | Holman Honda of Fort Lauderdale

South Florida

SOLD TO

STOLER AUTOMOTIVE

August 2026



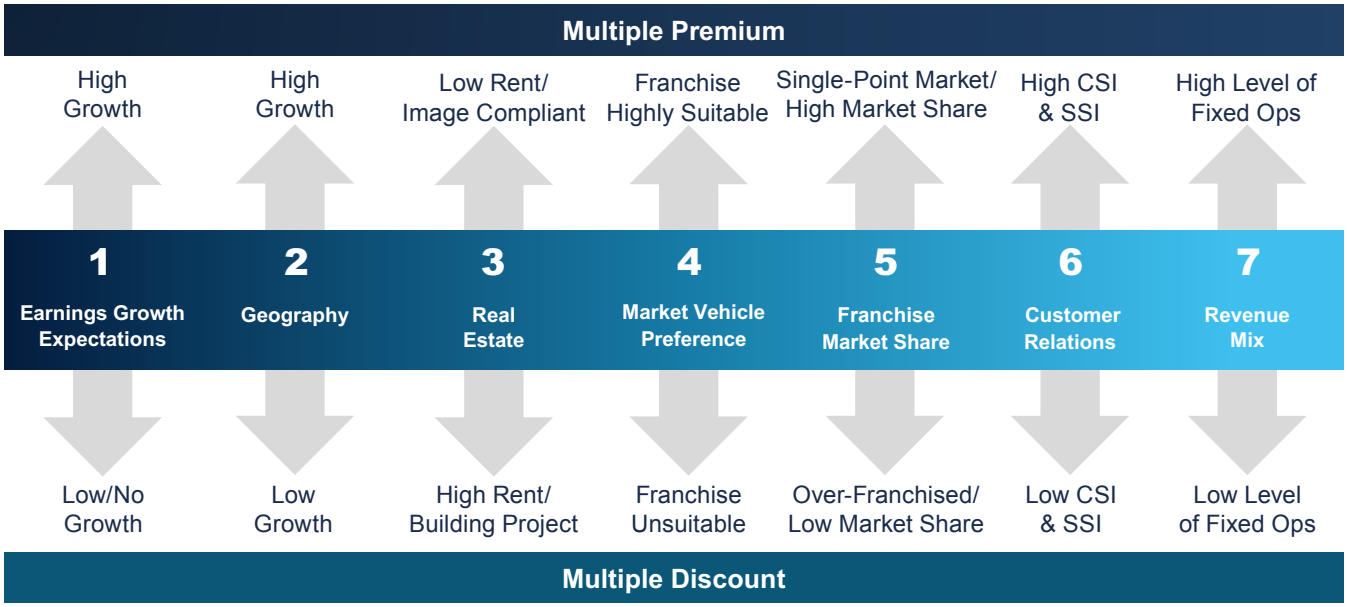
KERRIGAN ADVISORS' BLUE SKY MULTIPLES

Kerrigan Advisors' blue sky multiples and accompanying analysis outline the high, average and low blue sky multiples for each franchise in the luxury and non-luxury segments. **To determine blue sky value, Kerrigan Advisors' blue sky multiples should be applied to the most recent pre-tax adjusted earnings of a dealership, typically using the trailing twelve months.**

Kerrigan Advisors' blue sky multiples are based on our view of franchise values in the current buy/sell market. Each dealership has its own unique valuation drivers, and significant analysis (particularly substantial financial analysis of current performance) needs to be done to determine the market-clearing price for a dealership's blue sky.

The high, average and low blue sky multiples in the following charts reflect the variability in franchise values, depending on specific circumstances and situations. The combination of these seven factors detailed below, determines the blue sky multiple a buyer is ultimately willing to pay for a franchise. Most dealership acquisitions are asset sales in which a buyer acquires the blue sky, real estate and tangible assets of the business while the seller retains their working capital, excluding sold inventories (vehicles, parts and accessories, which are also sold to the buyer).

Franchise Blue Sky Multiple Drivers



Factor One—Earnings Growth Expectations: Under-performing dealerships, particularly those in high-growth markets, can command higher multiples, while unsustainably over-performing dealerships can command lower multiples. That said, as consolidators seek high-volume franchises, there are often premiums for over-performers, assuming the buyer believes the overperformance is sustainable.

Factor Two—Geography: Dealerships located in high population growth markets, such as Texas and Florida, command premium blue sky multiples, while those in contracting geographies have lower buyer demand and discounted blue sky multiples.

Factor Three—Real Estate: Dealerships that require major real estate investments or have high rent command lower multiples, as do dealerships on leased property without a purchase option. By contrast, dealerships that recently became image compliant with well-priced real estate available for sale can command a price premium.

***Factor Four—Market Vehicle Preference**:* Franchises that are highly suitable for a market receive higher multiples, while franchises that are unsuitable for a market receive lower multiples. For example, a top luxury franchise in a small metro with few high-income wage earners will receive a discounted multiple, as compared to a luxury franchise in a major metro, which likely receives a price premium.

Factor Five—Franchise Market Share: A high-volume franchise that captures a disproportionate market share or one with no like-franchise competition in its market (single-point) will often sell at a higher multiple than a low-volume franchise or one that competes with one or more like-franchises, particularly in an over-dealered market.

***Factor Six—Customer Relations**:* Dealerships with high customer retention rates and exceptional customer relations will command higher multiples, as the profits associated with those businesses are more sustainable. Dealerships with poor online reputations, coupled with low CSI and SSI, receive lower blue sky multiples.

***Factor Seven—Revenue Mix**:* Fixed operations is the highest-margin, most consistent revenue stream associated with the dealership business model. Dealerships with strong fixed operations trade at higher multiples, while dealerships with low fixed operations revenue trade at lower multiples.

Kerrigan Advisors finds the valuation drivers for dealership groups differ considerably from an individual franchise. While individual franchise multiples that make up a group still inform a group's blended blue sky multiple, the premium or discount applied is often determined by the entire group's operations, rather than each individual dealership's performance. In other words, group valuations are not necessarily based on the sum of the parts and are rather determined by the performance of the whole enterprise. With this in mind, Kerrigan Advisors outlines the drivers that determine the blue sky multiple for a dealership group below. As you will see, this valuation framework differs considerably from the single franchise drivers detailed above.

Group Blue Sky Multiple Drivers



***Group Factor One—Financial Markets/Economy**:* Larger transactions are more sensitive to the economic environment in which they are completed and the state of the capital markets. Many of the largest group acquisitions are completed by public companies, most of whom raise capital through Wall Street. As a result, group valuations (premiums and/or discounts) are often determined by the health of the stock and bond markets from which these acquisitions are financed, as well as investor return expectations relative to alternative investment opportunities. The larger the transaction, the more sensitive it is to interest rates and the current valuation multiples of the public consolidators.

Group Factor Two—Group Financial Performance: Because large groups often involve more debt financing, buyers of larger groups are usually more sensitive to an acquisition's historical financial performance. This is because lenders often rely on the target's past financial performance to determine the amount of acquisition financing. As a result, a dealership group with a consistent history of strong earnings and growth will often command a premium valuation, as a lender may be willing to finance more of the purchase price, reducing the equity required by the buyer. By contrast, a group with highly variable earnings or inconsistent historical earnings growth will usually trade at a discount.

It is important to note that, unlike a single-point acquisition, under-performing dealership groups, particularly larger ones, do not customarily trade at a premium blue sky multiple. Buyers of large groups are usually looking for consistent cash flow rather than a turnaround opportunity. Underperforming large groups are considered riskier investments because the reengineering of a sizable organization is a significant undertaking and one with more execution risk post-transaction.

Group Factor Three—Location & Market Dynamics: Similar to single-point dealership valuations, dealership groups located in high-growth, business-friendly markets usually trade at a premium. Dealership groups that lack regional concentration, or that have dealerships located in disparate markets without obvious synergies or scale, tend to trade at a discount relative to groups with a significant presence in a single market. Kerrigan Advisors finds that groups with meaningful market share in their MSA or region are often valued at a premium by buyers.

Group Factor Four—Franchise Mix: Dealership groups that include top luxury and non-luxury franchises often trade at a premium. In some cases, the inclusion of a single high-demand, limited-supply franchise, such as Lexus, can lift the valuation multiple of an entire group. By contrast, if a group only includes weaker franchises, its overall blue sky multiple can suffer. Kerrigan Advisors finds that size does not typically overcome a weak franchise mix. Buyers seeking to deploy large amounts of capital to sizable acquisitions tend to be more sensitive to franchise mix and more focused on the top franchises when buying groups.

Group Factor Five—Management Team & Employees: Unlike a single-point transaction, group management teams and staff are key ingredients in determining valuation. Most buyers of sizable groups will need to rely on the existing executive team to lead the group post-transaction. Groups with impressive management teams and low turnover often trade at a premium, whereas groups with high employee turnover and short-tenured managers tend to trade at a discount.

Group Factor Six—Revenue per Dealership: Groups made up of mostly high-volume dealerships trade at a premium relative to groups made up of mostly low-volume dealerships. By way of example, a group that averages over $100 million in revenue per dealership will trade at a significant premium to one that averages less than $50 million in revenue per dealership, even if the two groups have the same total revenue and earnings. In general, higher-volume dealerships are easier to manage and have less earnings volatility/risk, thus buyers prefer groups with high sales volume per dealership, particularly as scale on a rooftop level becomes a qualifier for future success.

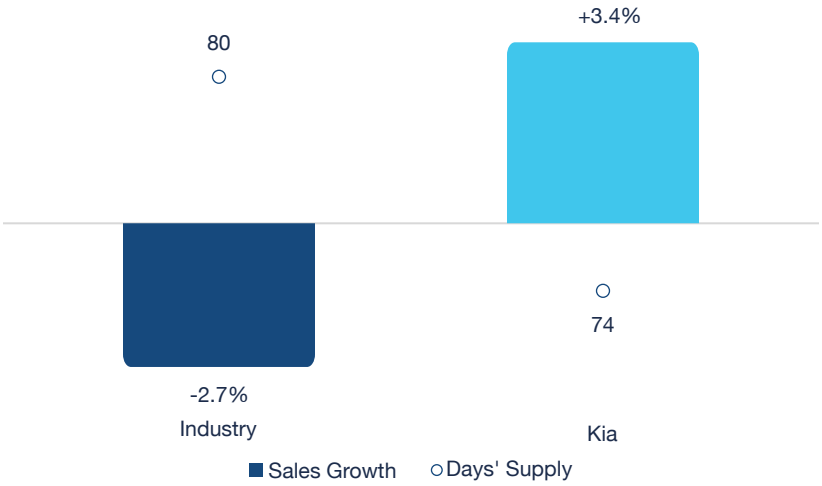
Group Factor Seven—Brand & Reputation: Dealership groups with exceptional brands in their market and strong reputations often trade at a premium, whereas those with poor reputations or no brand equity trade at a discount. Also, if a seller is unwilling to include the name of their group in a sale, perhaps because it is their family name, this can reduce the valuation of the group. The dealership group brand is often of significant value to a buyer, particularly if the buyer is entering a new market and the group has a strong reputation and long history in the area.

Group Factor Eight—Real Estate: Dealership groups with minimal real estate improvement requirements or relocations often trade at a premium. Similarly, dealership groups that own most of their property and are willing to sell that property as part of a transaction also tend to trade at a premium. By contrast, groups with significant facility upgrade requirements or leased property usually trade at a discount. This trend is similar to the valuation trend for a single-point dealership.

SECOND QUARTER 2026 BLUE SKY MULTIPLE ADJUSTMENTS

Kerrigan Advisors made three adjustments to our blue sky multiples this quarter: one upgrade and two downgrades. We increased Kia's low-end blue sky multiple from 4.75x to 5.0x, reflecting strong dealership profitability, rising buyer demand and higher blue sky pricing, particularly in high-growth markets such as Florida and Texas. Kia's first-half sales performance and disciplined production further support this positive outlook, with US sales increasing 3.4%, handily outperforming the industry, while maintaining a days' supply of 74, six days below the industry average (see Chart 45). Kerrigan Advisors maintains a positive outlook for Kia and expects further multiple appreciation if its dealers continue to outperform the industry in both sales and profitability.

Chart 45 Change in US Light Vehicle Sales (First Half 2025 vs. 2026) and Days' Supply, Kia vs. Industry Average

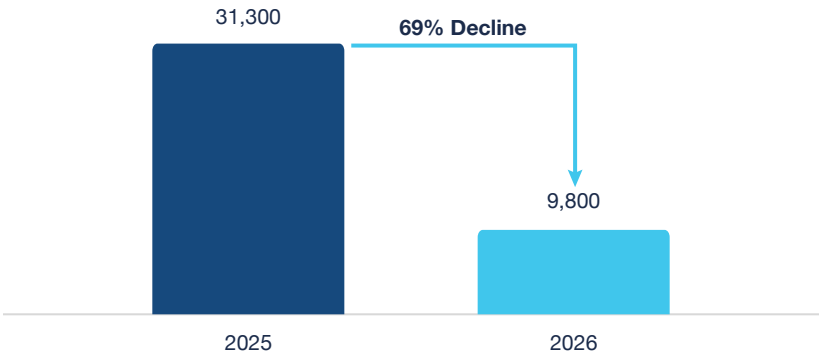


Source: Automotive News, Cox Automotive

Kia's US sales increased 3.4% in the first half of 2026 while industry sales declined 2.7%, with Kia maintaining a 74-day supply versus the industry average of 80 days. **Sales outperformance and disciplined inventory** support stronger dealership profitability, rising buyer demand and Kerrigan Advisors' increase in Kia's low-end blue sky multiple from 4.75x to 5.0x.

Kerrigan Advisors downgraded Volkswagen's blue sky multiple to 2.25x–3.0x and Audi's to 5.5x–6.0x. Buyer demand for Volkswagen remains extremely low, with some franchises closing rather than being acquired when included in group transactions. Days' supply remains well above the industry average, while dealership sales and profitability continue to be challenged, in part by Volkswagen's lack of a hybrid offering in the US. The brand's EV strategy has also failed to gain meaningful traction, further pressuring its competitive position (see Chart 46). Through the first six months of 2026, Volkswagen sold just 9,800 all-electric vehicles in the US, down 69% from 31,300 during the same period in 2025, nearly three times the industry's 24% decline over the same period and emphasizing the severity of Volkswagen's EV-specific underperformance.

Chart 46 Volkswagen of America US Electric Vehicle Sales, First Half

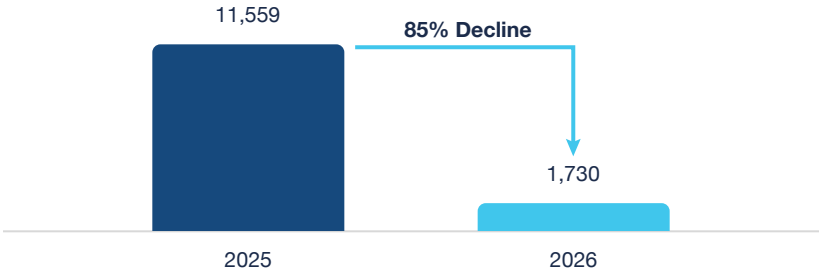


Source: Volkswagen Group of America

Volkswagen's US EV sales fell from 31,300 units in the first half of 2025 to just 9,800 in 2026—a 69% decline, nearly three times the industry's 24% drop over the same period. Combined with elevated inventory, weak dealership profitability and the absence of a hybrid offering, **Volkswagen's deteriorating product competitiveness** is weighing heavily on buyer demand and supporting the franchise's multiple downgrade to 2.25x–3.0x.

Audi is also facing similar challenges. First-half US sales declined 17.1%, while EV sales fell 85%, from 11,559 units in the first half of 2025 to just 1,730 in 2026 (see Chart 47). The Q6 e-tron experienced the most significant decline, with sales down 87%, particularly notable given the model was Audi's best-selling vehicle in the third quarter of 2025 prior to the expiration of the federal EV tax credit. An aging SUV lineup has further pressured dealership sales and profitability, with Q7 sales declining 23% despite aggressive OEM incentive spending. Like Volkswagen, Audi also lacks a hybrid offering at a time when key luxury competitors, including BMW, Mercedes-Benz and Lexus, are benefiting from strong consumer demand for hybrids.

Chart 47 Audi of America US Electric Vehicle Sales, First Half

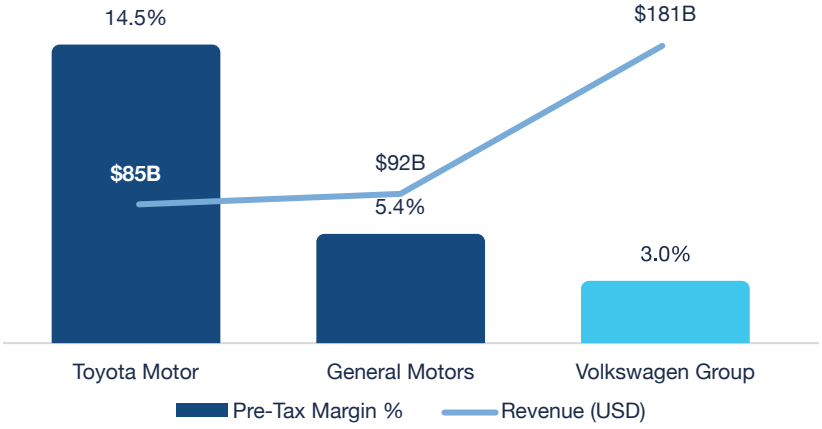


Source: Volkswagen Group of America

Audi's EV sales collapsed 85% in the first half of 2026, from 11,559 units to 1,730, as total US sales declined 17.1%. The steep EV decline, aging SUV lineup and lack of a hybrid offering underscore **mounting pressure on Audi dealership performance**, contributing to Kerrigan Advisors' reduction of the franchise's blue sky multiple to 5.5x–6.0x.

Both franchises are also being affected by the broader financial challenges facing Volkswagen Group. In the first half of 2026, Volkswagen Group's profit margin declined to 3.0% (see Chart 48), pressured by declining market share in China, significant US tariff costs and a cost structure that CEO Oliver Blume has indicated is approximately 20% higher than competing automakers. These challenges are consistent with the pressure on European OEMs from China's rising global market share discussed in the Executive Summary. In response, Volkswagen Group is undertaking a significant restructuring while reducing product investment and rationalizing its model lineup. For Volkswagen and Audi dealers, the prospect of fewer new products and reduced investment creates additional uncertainty at a time when both franchises need stronger product pipelines to improve dealership sales and profitability.

Chart 48 Revenue ($USD in Billions) vs. Pre-Tax Profit-to-Revenue Margin (%), 2026 Year-To-Date

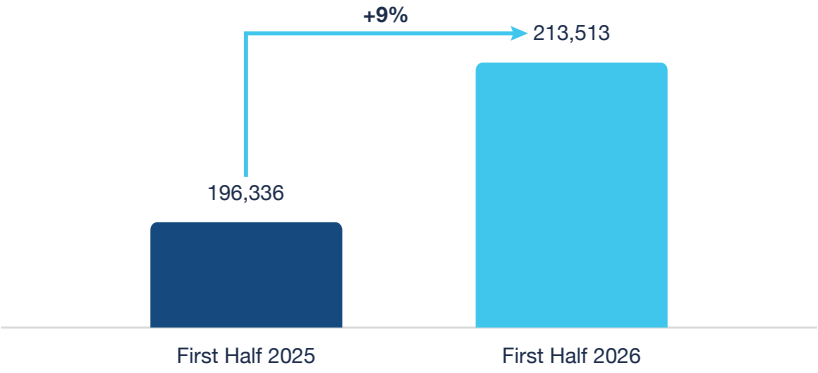


Source: Public Filings

Volkswagen Group's profit margin declined to 3% in the first half of 2026, far below its competing OEMs, despite its significantly larger size and scale. Volkswagen and Audi franchise values remain uncertain as their parent company's required financial restructuring could limit future product investment.

In addition to these multiple adjustments, Kerrigan Advisors upgraded Honda's multiple outlook to positive this quarter. Honda delivered its strongest first-half sales performance since 2021, led by the CR-V, which became America's best-selling new vehicle during the first half of 2026, surpassing the Ford F-Series and Toyota RAV4 with 226,114 units sold. Honda is benefiting from an affordable new vehicle lineup and strong consumer demand for its hybrid offerings, which also achieved record sales during the first half (see Chart 49). Given Honda's improving sales performance, attractive product mix and strong buyer demand, Kerrigan Advisors expects the franchise's blue sky multiple to increase in the coming quarters.

Chart 49 Honda Hybrid Sales, First Half



Source: American Honda Motor Co.

Honda delivered its strongest first-half sales performance since 2021, supported by record hybrid sales and the CR-V becoming America's best-selling new vehicle during the period. **Honda's improving product mix and sales momentum** reinforce strong buyer demand and Kerrigan Advisors' positive outlook for future blue sky multiple appreciation.

Kerrigan Advisors is Honored to Announce the Sale of Tommie Vaughn Ford, a Landmark Dealership in the Heart of Houston, to Vaughan Automotive

TOMMIE VAUGHN

Houston, Texas



SOLD TO

VAUGHAN AUTOMOTIVE

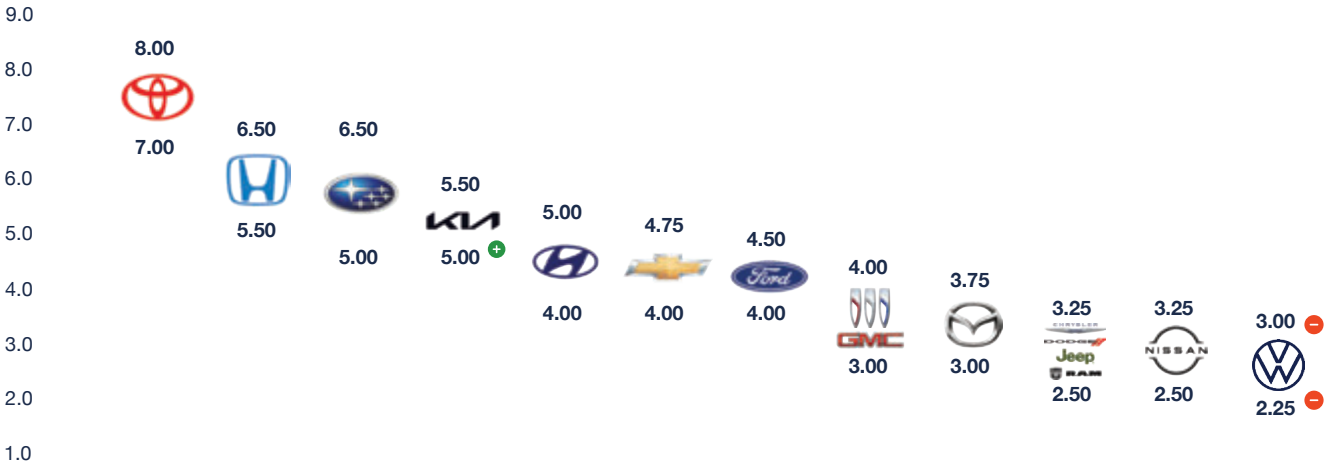
August 2026

"For nearly 70 years, our family has had the distinct privilege of serving the greater Houston community, a legacy my father-in-law began in 1957 and one our family was proud to carry forward to the next generation.

We want to thank the Kerrigan team, especially Erin Kerrigan and Chris Gempton, for the expert guidance they provided our family as we contemplated such an important decision. When we decided the time was right fora sale, Kerrigan was our first and only call. Their reputation in the industry and legacy of success in the state of Texas, particularly with selling top tier dealerships in prime markets, were all invaluable to us. Their keen knowledge of the buyer community and trends impacting buy/sells is unmatched in the industry and it was that knowledge that was key to the success of this transaction."

Jim Janke, Owner of Tommie Vaughn Ford

Chart 50 Kerrigan Advisors' Second Quarter 2026 Blue Sky Multiples & Analysis: Non-Luxury



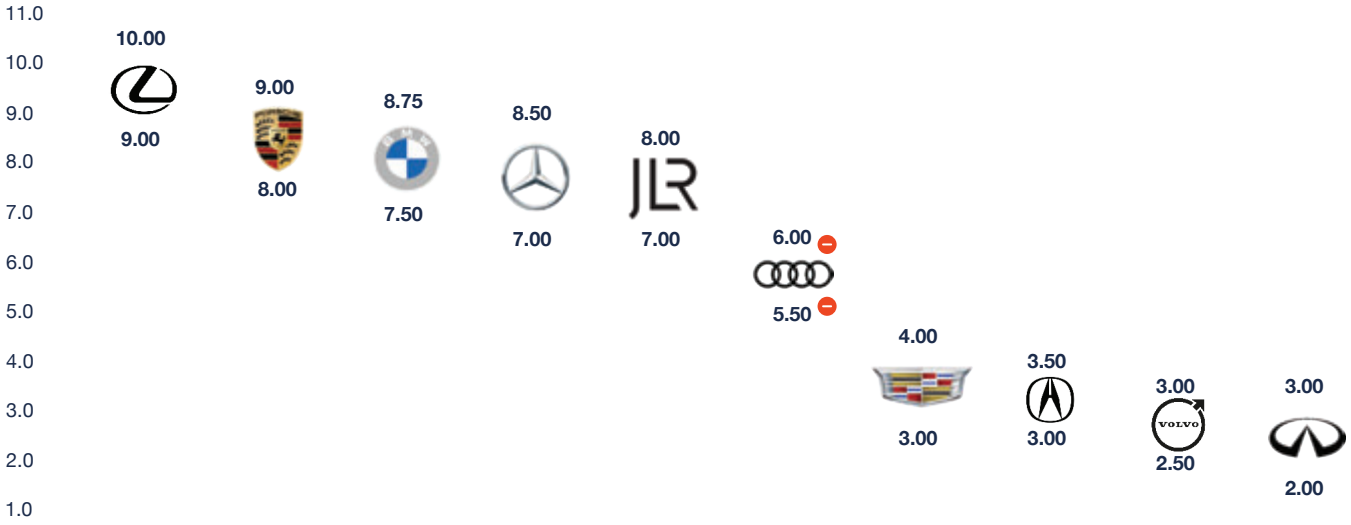
	Toyota	Honda	Subaru	Kia	Hyundai	Chevrolet	Ford	Buick GMC	Mazda	CDJR	Nissan	VW
High	8.00	6.50	6.50	5.50	5.00	4.75	4.50	4.00	3.75	3.25	3.25	3.00
Average	7.50	6.00	5.75	5.25	4.50	4.38	4.25	3.50	3.38	2.88	2.88	2.63
Low	7.00	5.50	5.00	5.00	4.00	4.00	4.00	3.00	3.00	2.50	2.50	2.25

Franchise	Buyer Demand	Change in Sales* First Half 2025 vs. 2026	Sales Per Franchise TTM Jun-2026	Buy/Sell Market Share First Half 2026	Est. Days' Supply* As of Jun-2026	UIOs per Franchise Q1 2026	OEM Moody's Credit Rating	Multiple Outlook
TOYOTA	High	+1.5%	1,751	4.8%	37	31,107	A1	Positive
HONDA	High	+2.5%	1,225	6.3%	48	23,272	A3	Positive
SUBARU	High	-4.5%	978	2.0%	67	14,150	Not Rated	Steady
KIA	High	+3.4%	1,084	2.8%	74	11,020	A3	Positive
HYUNDAI	Average	+2.6%	1,063	5.7%	101	11,959	A3	Steady
CHEVROLET	Improving	-5.8%	614	12.8%	76	13,490	Baa2	Positive
Ford	Improving	-9.7%	706	10.8%	93	15,145	Ba1	Positive
BUICK GMC	Improving	-5.8%	500	5.7%	Buick 129 GMC 88	9,061	Baa2	Positive
mazda	Average	-4.0%	739	1.7%	96	9,711	Not Rated	Steady
Jeep	Improving	+5.5%	532	13.7%	153	13,479	Baa3	Steady
NISSAN	Improving	+0.4%	829	7.1%	82	16,136	Ba2	Steady
VW	Low	+2.3%	530	2.6%	115	8,399	Baa1	Negative

Source: Kerrigan Advisors' Analysis, Automotive News, Moody's, The Banks Report

*Red indicates underperformance of the industry; Green means overperformance of the industry. For US Light Vehicle Sales, the industry was down 2.7% in the first half of 2026. For Days' Supply, the industry average was 80 as of June 2026.

Chart 51 Kerrigan Advisors' Second Quarter 2026 Blue Sky Multiples & Analysis: Luxury



	Lexus	Porsche	BMW	Mercedes	JLR	Audi	Cadillac	Acura	Volvo	Infiniti
High	10.00	9.00	8.75	8.50	8.00	6.00	4.00	3.50	3.00	3.00
Average	9.50	8.50	8.13	7.75	7.50	5.75	3.50	3.25	2.75	2.50
Low	9.00	8.00	7.50	7.00	7.00	5.50	3.00	3.00	2.50	2.00

Franchise	Buyer Demand	Change in Sales* First Half 2025 vs. 2026	Sales Per Franchise TTM Jun-2026	Buy/Sell Market Share First Half 2026	Est. Days' Supply* As of Jun-2026	UIOs per Franchise Q1 2026	OEM Moody's Credit Rating	Multiple Outlook
Lexus	High	-5.2%	1,480	1.7%	41	24,057	A1	Steady
Porsche	High	-14.7%	346	2.0%	100	N/A	Baa1	Steady
BMW	High	+4.7%	1,132	1.4%	87	15,887	A2	Steady
Mercedes-Benz	High	-3.2%	875	2.3%	108	14,447	A2	Positive
JLR	High	LR -26.5% Jag -66.5%	LR 446 Jag 49	0.3%	LR 127 Jag N/A	N/A	Ba1	Steady
Audi	Declining	-17.1%	493	2.0%	84	N/A	Baa1	Negative
Cadillac	Average	-22.3%	272	1.1%	69	5,694	Baa2	Steady
Acura	Low	+1.9%	492	0.6%	98	N/A	A3	Negative
Volvo	Low	-12.1%	408	0.9%	N/A	N/A	Ba1	Negative
Infiniti	Low	-1.7%	270	1.1%	99	N/A	Ba2	Negative

Source: Kerrigan Advisors' Analysis, Automotive News, Moody's, The Banks Report

*Red indicates underperformance of the industry; Green means overperformance of the industry. For US Light Vehicle Sales, the industry was down 2.7% in the first half of 2026. For Days' Supply, the industry average was 80 as of June 2026.

We hope The Blue Sky Report® is helpful to you as you lead your organizations through this historic period in auto retail. Please do not hesitate to contact our firm if you have any questions regarding the information presented herein or if we can assist you in any way.

Kerrigan Advisors has had the honor of working with auto retail's leading dealers in determining the right time to sell and the most appropriate buyer for their dealerships. We do not take listings, or maintain an inventory of sell-side clients, rather we focus on a select number of higher value transactions, devoting our team's time and energy to ensure the sale process is a success. **In our view, dealerships are far too valuable to be advised any other way.**

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PICTURED AT A CELEBRATORY CLOSING DINNER HOSTED BY KERRIGAN ADVISORS AT HENDRICK HERITAGE CENTER, JULY 2026

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