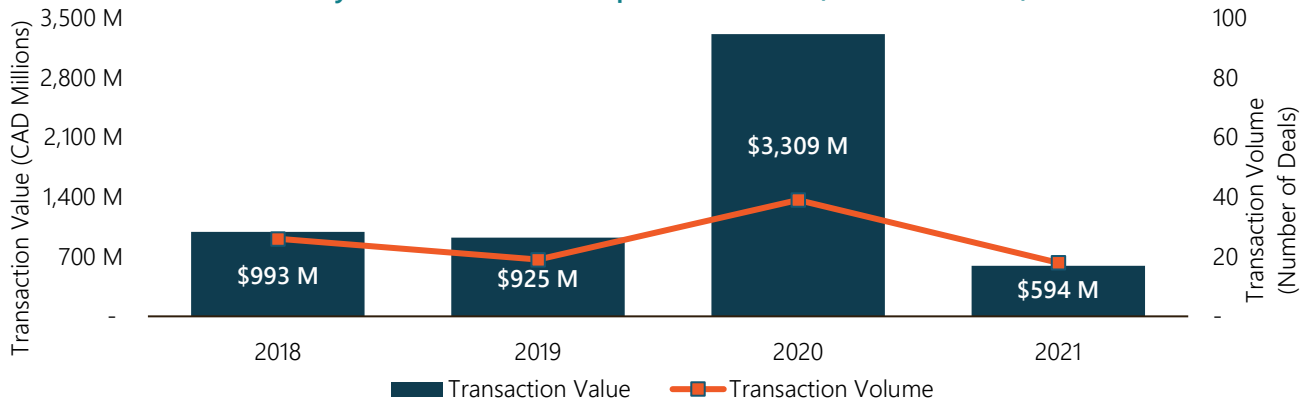


Dealerships

Quarterly Update | Q2 2021



Publicly Disclosed Dealership Transactions (North America)¹



M&A Market Update – Q2 2021

M&A Activity

- M&A activity in the North American dealership industry has returned to historical averages. 19 transactions have been disclosed in the first two quarters of 2021, which is on pace with the 43 transactions in 2020. However, the transaction value in 2021 will likely return to the 2018 and 2019 levels, noting a mega \$2.8 billion transaction that drove the 2020 value up.
- Due to the limited number of publicly traded automotive companies in Canada, substantially all the transaction value and volume in the chart noted above is related to US transactions. However, while different markets, M&A activity in the US may be indicative of macro trends in Canada.

Automotive

- Dealership location, brand, and strength of management are playing increasingly important roles in valuation as different geographical markets and brands recover differently from COVID-19.
- As the effects of COVID-19 are controlled, manufacturers have adapted to the new reality as light vehicle sales are up 51.8% in Q2 2021 compared to Q2 2020. Although Q2 2021 has shown a positive result, technical details and semiconductor shortages suggest that the market is still far from a return to a level of normalcy.²
- Pent up consumer demand and limited supply are contributing to inflationary pressure which may or may not be sustainable long term.
- As part of Canada's goal of achieving net-zero greenhouse gas emissions by 2050 (Bill C-12), all light passenger vehicles sold in Canada must be zero-emission by 2035, paving the way for some OEMs, and dealers, to respond better than others in the changing marketplace.

Agriculture Implement

- Accelerated consolidation amongst Case-IH, New Holland, and Kubota dealers. Valuations can vary significantly by location, size, and historical performance.
- In comparison to Q1 2021, Q2 2021 unit retail sales in Canada increased 32.8% for farm tractors and 20.0% for self-propelled combines.³

Heavy Truck

- Fragmented marketplace presents an opportunity of M&A activity amongst dealerships.
- Q2 2021 trailer orders totaled 34,287 to date, down 59.4% from Q1 2021 sales of 84,380. The demand is expected to rise moving into 2022 but supply chain issues may complicate production.⁴

1: Capital IQ, Data as of June 30, 2021; SEC Filings via Haig Report.

2: AutoWatch, Desrosiers, June 2021 Market Watch.

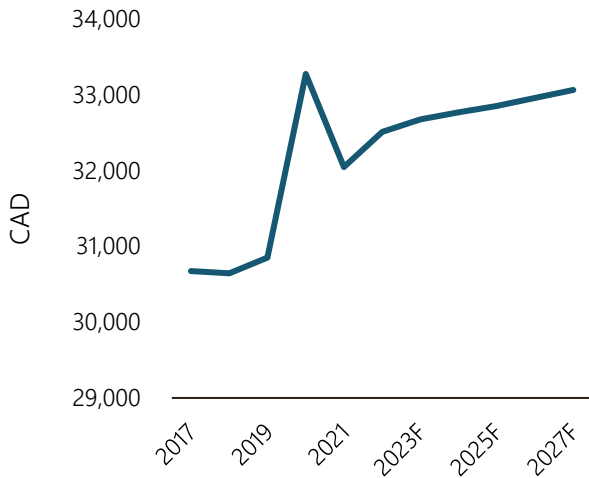
3: AEM Canada Ag Tractor and Combine Report, June 2021.

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

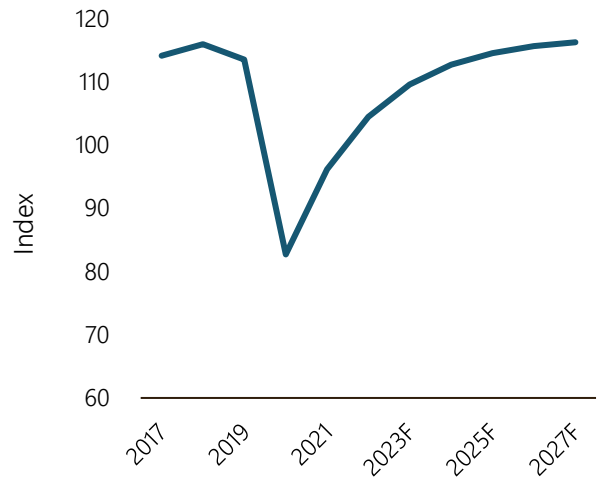
Macroeconomic Indicators

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

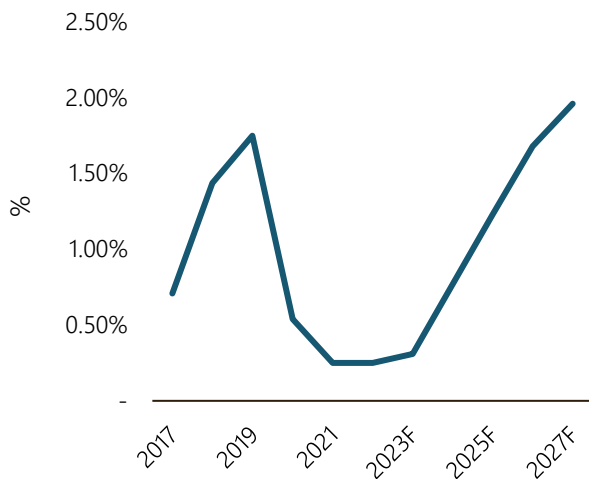
Per Capita Disposable Income



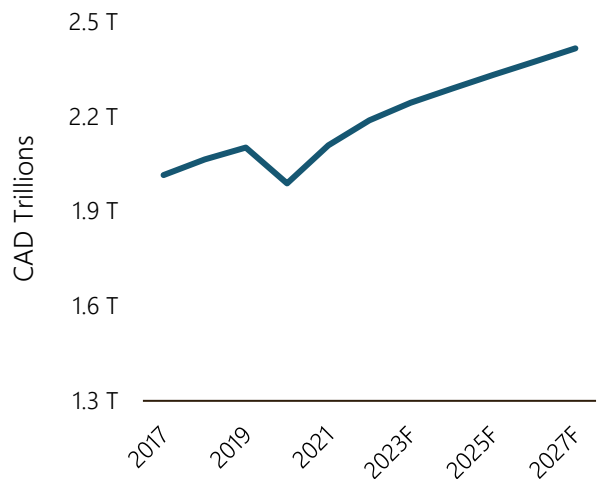
Consumer Confidence Index

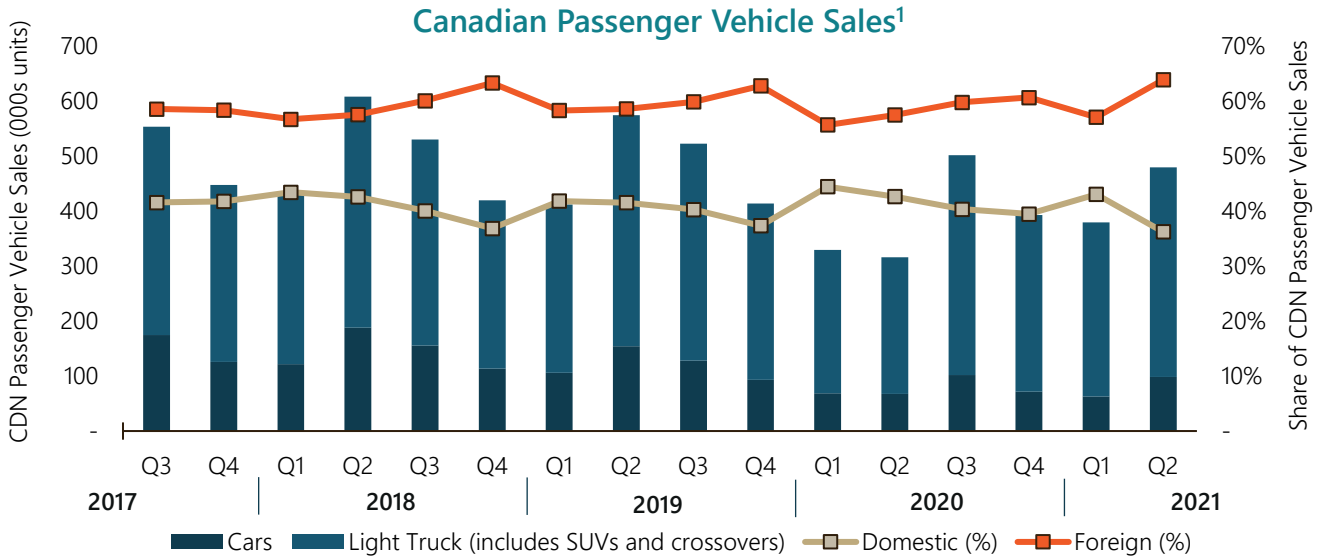


Overnight Rate

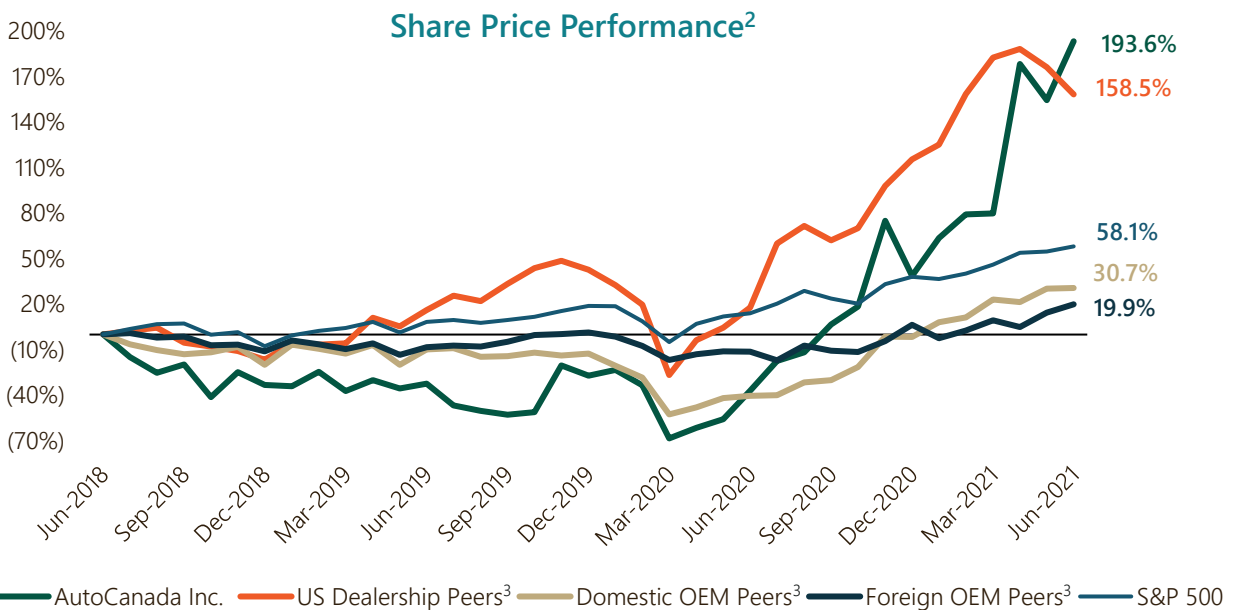


GDP - Canada





Overall, Q2 2021 sales increased to 478,717 units, a 51.8% increase in comparison to Q2 2020. Total vehicle sales comprised of 79.5% light truck sales in Q2 2021, up slightly from 78.6% in Q2 2020. The domestic vs. foreign brand sales mix continues to favour foreign brands, as their market share increased from 57.0% in Q1 2021 to 63.8% in Q2 2021.

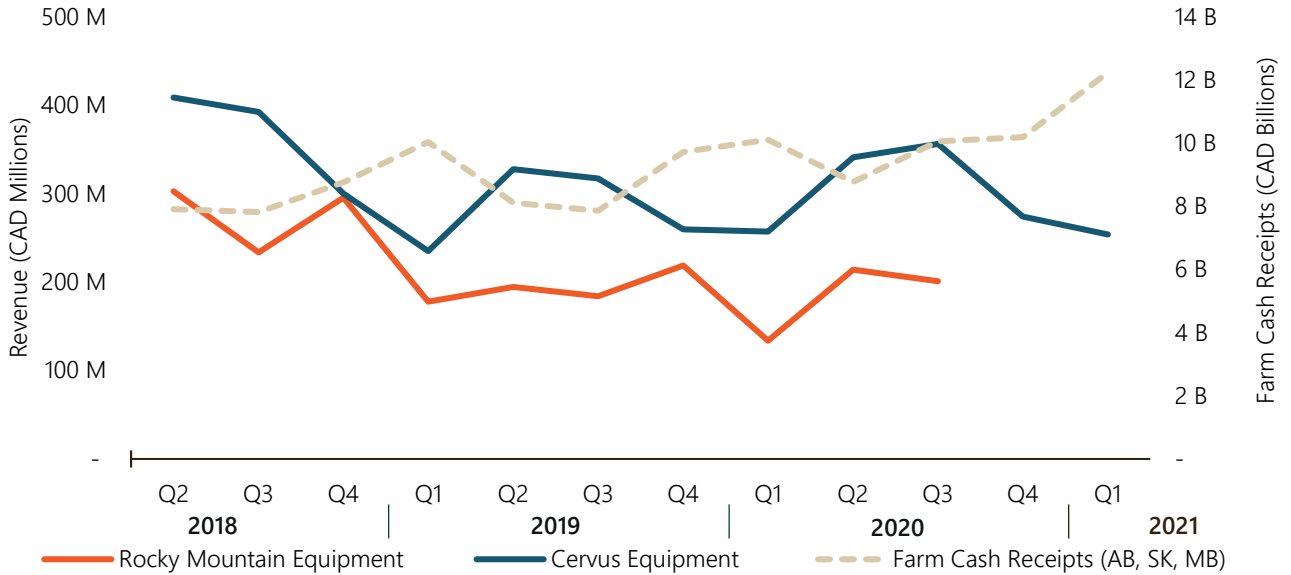


1: Desrosiers Automotive Consultants reports, July 2017 – June 2021.

2: Capital IQ. Data as of June 30, 2021.

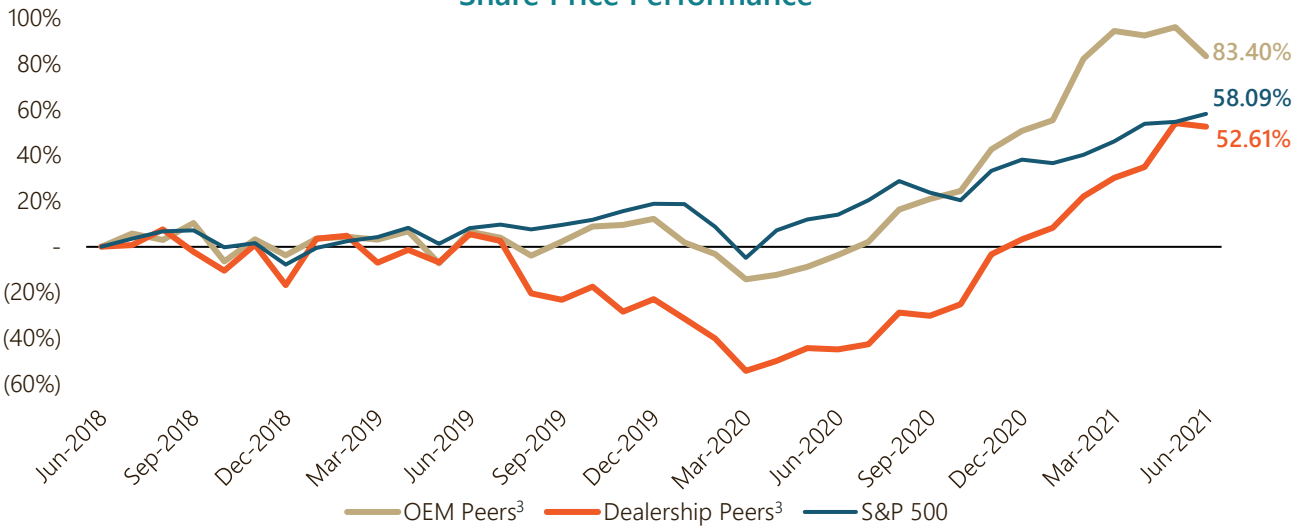
3: **US Dealership Peers:** AutoNation, Group 1 Automotive, Asbury Automotive, Sonic Automotive, Lithia Motors and Penske Automotive. **Domestic OEM Peers:** General Motors, Ford, and Fiat Chrysler. **Foreign OEM Peers:** Toyota, Honda and Nissan.

Revenue vs. Farm Cash Receipts Per Quarter^{1, 2}



Farm cash receipts tend to be a lagging indicator of agriculture equipment sales. Farm cash receipts recorded a 21.0% year-over-year growth from Q1 2020 to Q1 2021. Cervus Equipment's revenue in Q1 2021 decreased 1.1% over Q1 2020. Rocky Mountain went private in Q4 2020 and financial information is not publicly available beyond Q3 2020. We have tracked Rocky Mountain's historical revenue for illustrative purposes.

Share Price Performance¹

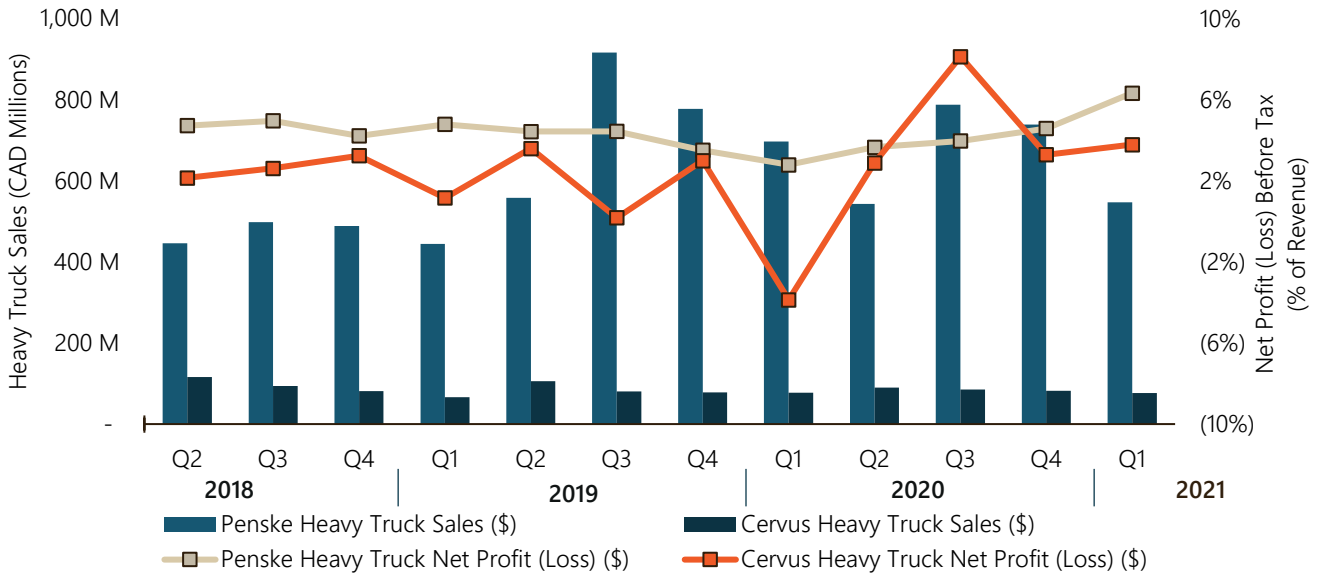


1: Capital IQ. Data as of June 30, 2021.

2: Farm cash receipts, quarterly – Statistics Canada. Farm cash receipts information is not yet available for Q2 2021 as of publication of this report.

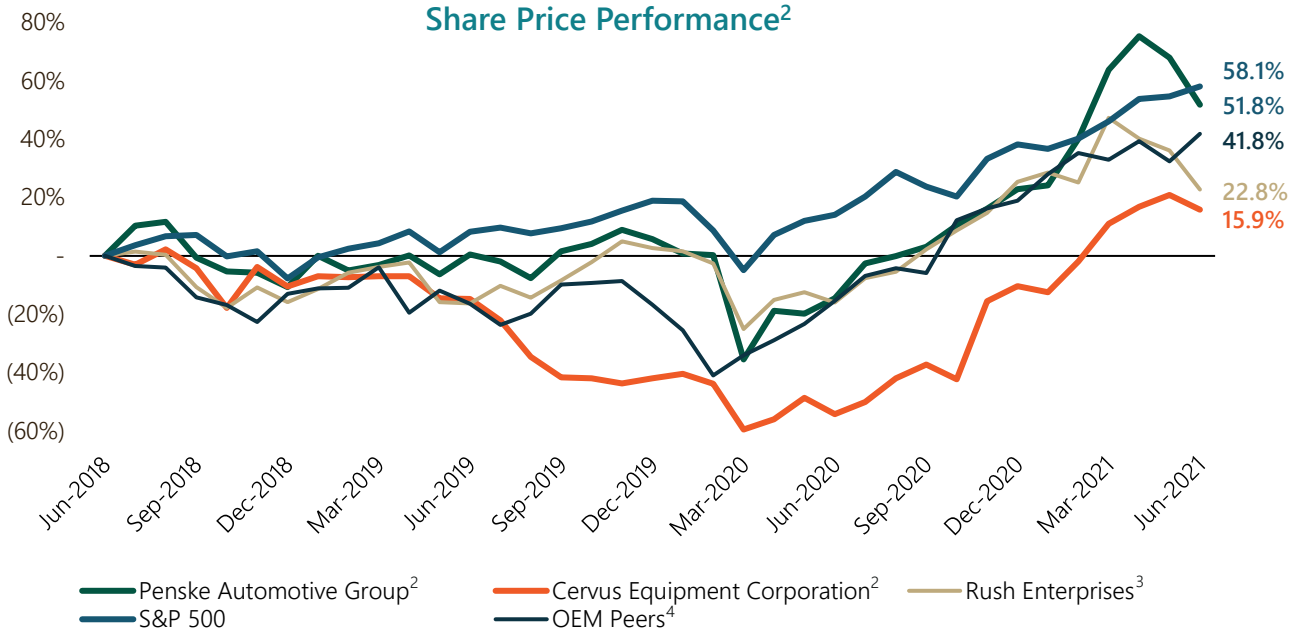
3: **Dealership Peers:** Rocky Mountain Equipment, Cervus and Titan Machinery. **OEM Peers:** Deere & Company (John Deere), CNH Industrial (Case IH, New Holland), Kubota Corp., Caterpillar Inc. (CAT) and AGCO Corporation (Massey Ferguson).

Penske & Cervus Heavy Truck Division Performance¹



Penske Automotive Group (Penske) is a publicly traded, global dealership group. Cervus Equipment Corporation (Cervus) is a global agricultural, construction and heavy truck dealership group. Penske and Cervus generated approximately 7.5% and 30.2% of sales from their heavy truck divisions in Q1 2021, respectively. Heavy truck revenues and net profit margins have been isolated in order to gauge divisional performance as a metric for the industry in general.

Share Price Performance²



1: Capital IQ. Data as of June 30, 2021. Data for the Penske and Cervus heavy duty truck divisions for Q2 2021 was not updated by the time of the Q2 2021 report preparation.

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

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

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

Select Recent M&A Transactions



acquired



Location
United States

Date
January 2021

- Jim Pattison Lease has offices throughout Canada and is the country's largest privately-owned nationwide vehicle leasing and fleet management company.
- Manchester Leasing, based in Iowa, has a fleet management portfolio consisting of vehicles across 19 US states.
- The acquisition gives Jim Pattison Leasing new markets in the United States and further enhances its capabilities to provide its customers with a full range of fleet management solutions.



merged with



Location
Canada

Date
January 2021

- Located in Quebec, VR Thetford offers a full range of recreational vehicles, sports vehicles and trailers to its customers.
- Roulottes Évasion.com sells both new and used recreational vehicles in Quebec.
- The merger allows the two companies to offer their customers a wide range of products, an improved online service and provide after-sales service that exceeds customer expectations.



acquired



Location
Canada

Date
December 2020

- AutoCanada Inc. is a multi-location automobile dealership group currently operating 66 franchised dealerships, comprised of 27 brands, in eight provinces in Canada, as well as Illinois, USA.
- Haldimand Motors is one of Canada's largest volume used vehicle dealers, with facilities of 80,000 square feet on 20 acres, 130 shop bays, and a full-service department.
- This transaction allows AutoCanada's used Digital Retail Division to drive used vehicle sales across all channels (omni-channel), including completely online.



Public Comparable Analysis

Trading Multiples & Operating Statistics

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

CAD Millions	LTM Operating Figures						NTM Consensus Estimates			Valuation	
	Market Capitalization	Enterprise Value	Revenue	Revenue Growth	EBITDA	EBITDA Margin	Revenue Growth	EBITDA Margin	NTM EV/EBITDA	LTM EV/EBITDA	LTM EV/REV
Automotive Dealerships											
AutoCanada Inc.	\$866	\$2,149	\$3,590	4.2%	\$130	3.6%	19.4%	4.6%	13.3x	21.5x	.6x
AutoNation, Inc.	\$9,034	\$14,795	\$27,204	2.9%	\$1,776	6.5%	21.3%	6.9%	9.6x	9.6x	.6x
Group 1 Automotive, Inc.	\$3,788	\$7,072	\$14,052	(6.3%)	\$907	6.5%	19.3%	5.3%	10.3x	8.9x	.5x
Asbury Automotive Group, Inc.	\$4,595	\$7,552	\$9,707	8.0%	\$689	7.1%	22.0%	5.9%	12.6x	12.7x	.8x
Sonic Automotive, Inc.	\$2,740	\$5,492	\$12,888	(1.2%)	\$622	4.8%	24.4%	3.8%	10.5x	9.7x	.5x
Lithia Motors, Inc.	\$13,294	\$18,353	\$18,445	16.1%	\$1,346	7.3%	48.8%	5.7%	15.4x	16.0x	1.1x
Penske Automotive Group, Inc.	\$8,530	\$17,580	\$26,678	(6.3%)	\$1,717	6.4%	22.1%	4.6%	14.0x	11.6x	.7x
Median	\$4,595	\$7,552	\$14,052	2.9%	\$907	6.5%	22.0%	5.3%	12.6x	11.6x	.6x
Mean	\$6,121	\$10,428	\$16,081	2.5%	\$1,027	6.0%	25.3%	5.3%	12.2x	12.9x	.7x
Heavy Truck Dealerships											
Penske Automotive Group, Inc.	\$8,530	\$17,580	\$26,678	(6.3%)	\$1,717	6.4%	22.1%	4.6%	14.0x	11.6x	.7x
Rush Enterprises, Inc.	\$3,324	\$4,457	\$5,888	(18.6%)	\$436	7.4%	22.0%	7.6%	10.9x	10.9x	.8x
Cervus Equipment Corporation	\$245	\$396	\$1,225	5.5%	\$67	5.5%	7.1%	5.2%	5.8x	6.0x	.3x
Median	\$3,324	\$4,457	\$5,888	(6.3%)	\$436	6.4%	22.0%	5.2%	10.9x	10.9x	.7x
Mean	\$4,033	\$7,478	\$11,264	(6.4%)	\$740	6.4%	17.1%	5.8%	10.2x	9.5x	.6x
Agriculture Implement / Construction Dealerships											
Cervus Equipment Corporation	\$245	\$396	\$1,225	5.5%	\$67	5.5%	7.1%	5.2%	5.8x	6.0x	.3x
Titan Machinery Inc.	\$758	\$1,261	\$1,816	10.2%	\$115	6.3%	16.0%	5.1%	15.2x	12.3x	.8x
Median	\$501	\$829	\$1,520	7.9%	\$91	5.9%	11.5%	5.1%	10.5x	9.2x	.5x
Mean	\$501	\$829	\$1,520	7.9%	\$91	5.9%	11.5%	5.1%	10.5x	9.2x	.5x
Automobile OEMs											
General Motors Company	\$104,184	\$218,718	\$153,775	(9.5%)	\$21,674	14.1%	17.8%	18.0%	7.4x	12.1x	1.4x
Fiat Chrysler Automobiles N.V.	-	-	\$135,098	(19.9%)	\$11,229	8.3%	(100.0%)	N/A	.0x	.0x	.0x
Ford Motor Company	\$65,539	\$230,721	\$162,331	(13.9%)	\$11,447	7.1%	10.4%	9.8%	15.7x	34.7x	1.5x
Daimler AG	\$111,648	\$292,710	\$233,419	(7.1%)	\$28,769	12.3%	11.9%	13.7%	9.7x	12.8x	1.3x
Honda Motor Co., Ltd.	\$65,603	\$123,116	\$149,792	(11.8%)	\$25,075	16.7%	17.5%	8.0%	9.4x	8.4x	.8x
Nissan Motor Co., Ltd.	\$27,541	\$94,665	\$89,423	(20.4%)	\$5,712	6.4%	20.2%	4.6%	27.3x	NM	1.1x
Toyota Motor Corporation	\$266,856	\$451,313	\$309,518	(8.9%)	\$45,029	14.5%	16.4%	13.1%	12.0x	10.7x	1.5x
Median	\$65,603	\$218,718	\$153,775	(11.8%)	\$21,674	12.3%	16.4%	11.5%	9.7x	11.4x	1.3x
Mean	\$91,624	\$201,606	\$176,194	(13.1%)	\$21,276	11.4%	(0.8%)	11.2%	11.6x	13.1x	1.1x
Heavy Trucks OEMs											
AB Volvo (publ)	\$70,278	\$80,524	\$49,182	(18.1%)	\$5,916	12.0%	16.2%	15.4%	9.6x	15.1x	1.6x
PACCAR Inc	\$43,052	\$50,760	\$24,418	(20.0%)	\$2,739	11.2%	24.3%	11.2%	15.8x	20.0x	2.2x
Daimler AG	\$111,648	\$292,710	\$233,419	(7.1%)	\$28,769	12.3%	11.9%	13.7%	9.7x	12.8x	1.3x
Median	\$70,278	\$80,524	\$49,182	(18.1%)	\$5,916	12.0%	16.2%	13.7%	9.7x	15.1x	1.6x
Mean	\$74,993	\$141,331	\$102,340	(15.1%)	\$12,475	11.9%	17.5%	13.4%	11.7x	16.0x	1.7x
Agriculture Implement / Construction OEMs											
Deere & Company	\$146,432	\$196,011	\$49,030	8.2%	\$10,011	20.4%	9.8%	21.1%	20.1x	23.7x	4.2x
CNH Industrial N.V.	\$26,070	\$48,767	\$35,276	3.5%	\$3,050	8.6%	11.9%	9.2%	16.3x	23.0x	1.5x
Kubota Corporation	\$35,043	\$43,411	\$22,193	3.9%	\$3,296	14.9%	11.2%	14.2%	13.4x	15.5x	2.0x
Caterpillar Inc.	\$157,016	\$193,222	\$54,088	(15.6%)	\$10,165	18.8%	18.5%	18.0%	19.3x	20.5x	3.7x
AGCO Corporation	\$13,406	\$14,302	\$12,076	7.0%	\$1,413	11.7%	14.2%	11.3%	10.5x	11.3x	1.3x
AB Volvo (publ)	\$70,278	\$80,524	\$49,182	(18.1%)	\$5,916	12.0%	16.2%	15.4%	9.6x	15.1x	1.6x
Median	\$52,661	\$64,645	\$42,153	3.7%	\$4,606	13.4%	13.1%	14.8%	14.8x	18.0x	1.8x
Mean	\$74,708	\$96,039	\$36,974	(1.9%)	\$5,642	14.4%	13.6%	14.9%	14.9x	18.2x	2.4x

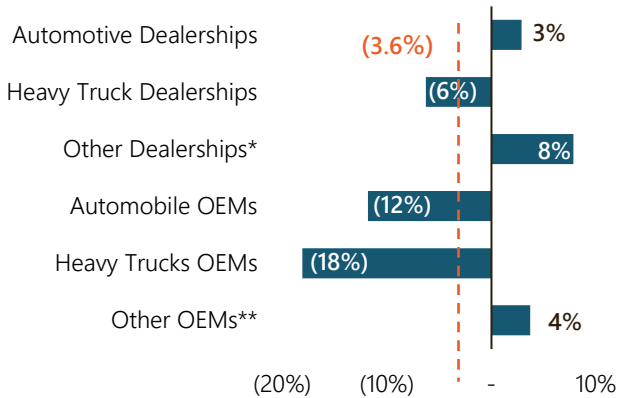
Source: Capital IQ. Data as of June 30, 2021.

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

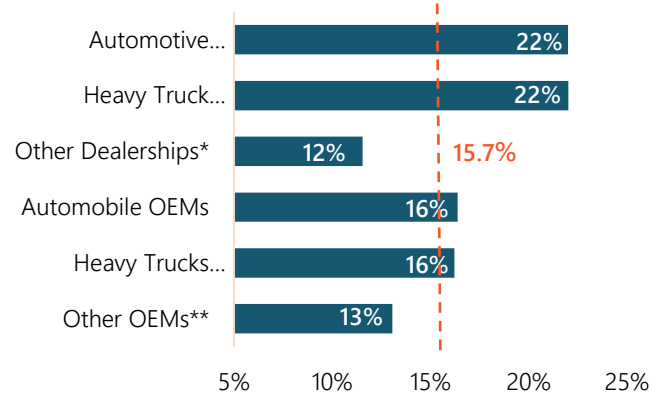
Public Comparable Analysis

Growth, Margins & Multiples

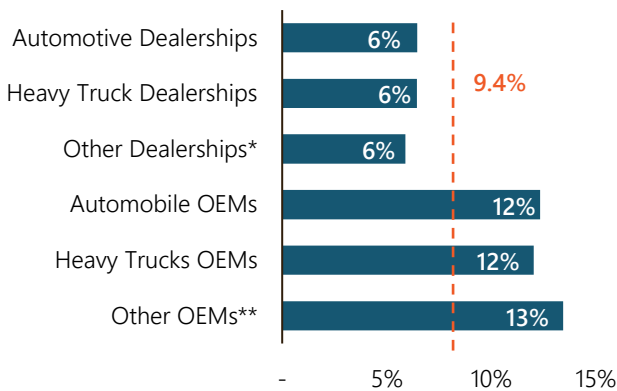
Median Revenue Growth (LTM)



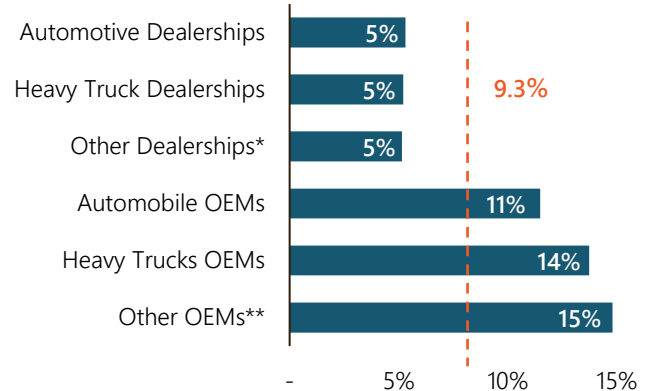
Median Revenue Growth (NTM)



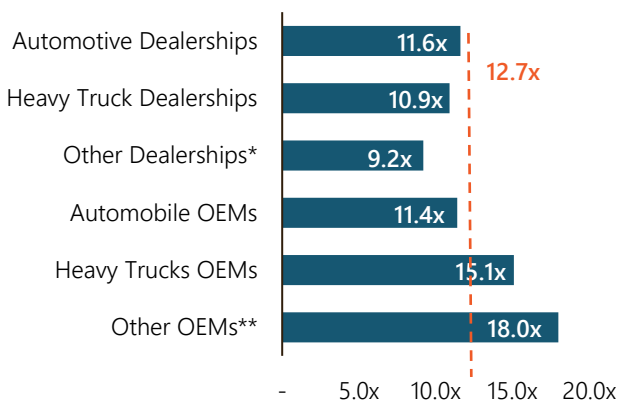
Median EBITDA Margin (LTM)



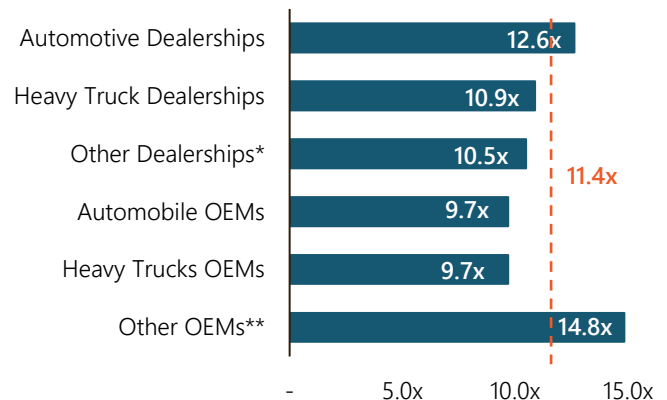
Median EBITDA Margin (NTM)



Median EV/EBITDA (LTM)



Median EV/EBITDA (NTM)



*Agriculture Implement / Construction Dealerships.

**Agriculture Implement / Construction OEMs.

Source: Capital IQ. Data as of June 30, 2021.

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

Valuation details provided on page 7.

About Us



MNP Corporate Finance (MNPCF) has a dedicated team of over 85 merger, acquisition, and transaction professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan and execute transactions.

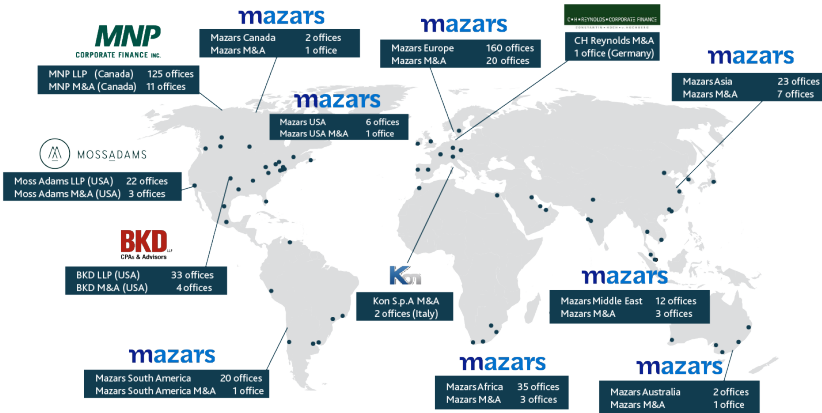
Our typical transactions range in value between \$3 million and \$300 million.

Local and International Reach

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting and tax advisory services worldwide. We are also affiliated with Corporate Finance Cross Border, which consists of 250+ M&A professionals in more than 30 countries.



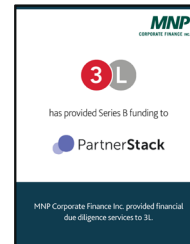
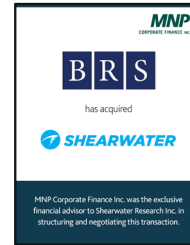
CFxB CFxBorder - Global reach with local relationships
Our corporate finance team through CFxB consists of 250 plus M&A professionals in more than 30 countries



Services

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

Recently Closed Deals (National)



About Us

Deal Experience

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past five years alone we have completed over 125 transactions worth over \$2 billion (not including due diligence engagements).

Industry Experience

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

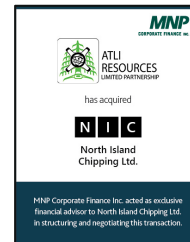
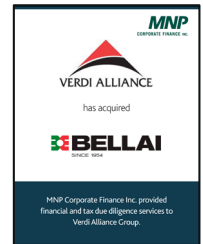
Hands-on Approach

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

Integrated Service Offering

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

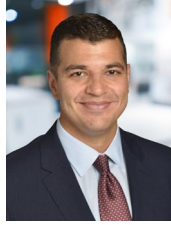
Recently Closed Deals (National)



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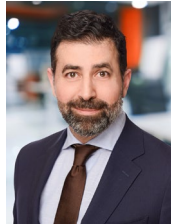
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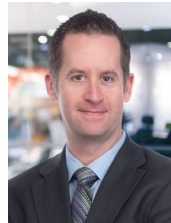


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Due Diligence Leadership



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