

The Evolution of the Automotive Buy/Sell Market: 2026 Outlook

How Mega Deals and Ongoing Industry Consolidation are Changing Buy/Sell Market Norms



Erin Kerrigan, Managing Director
Kerrigan Advisors
erin@kerriganadvisors.com

Stephen Dietrich, Partner
Holland & Knight
stephen.dietrich@hklaw.com



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1992 | Las Vegas Strip



How Times Have Changed

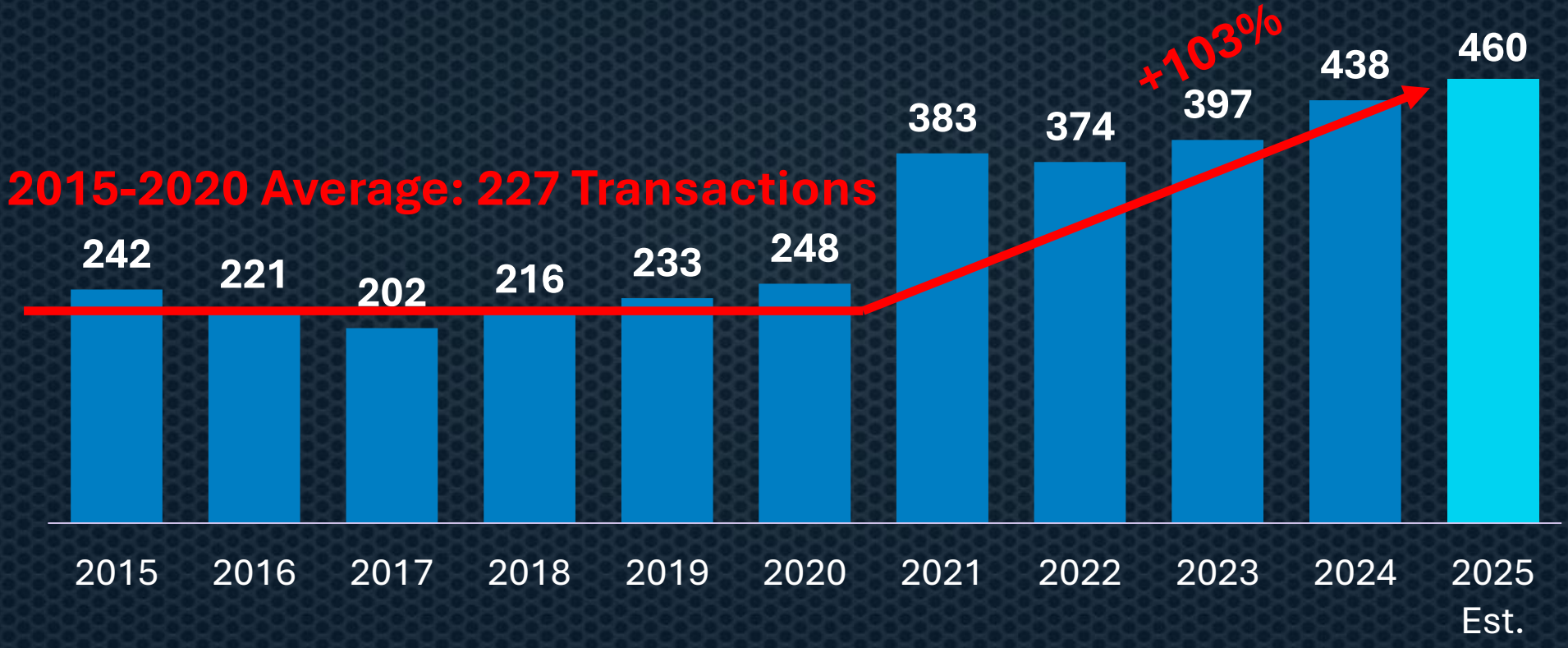


I. Strategic Consolidation



Transaction Activity Hits New Record

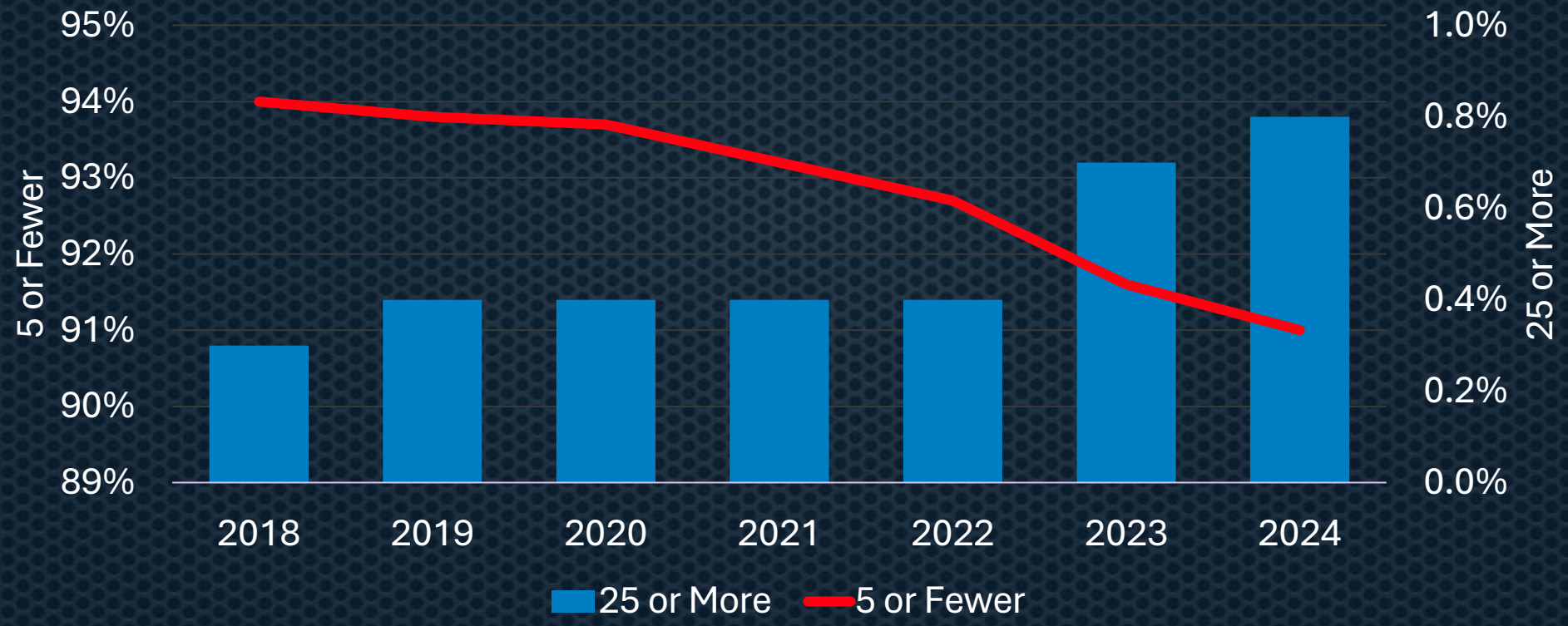
Total Number of Completed Dealership Transactions



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

Big Groups Are Getting Bigger

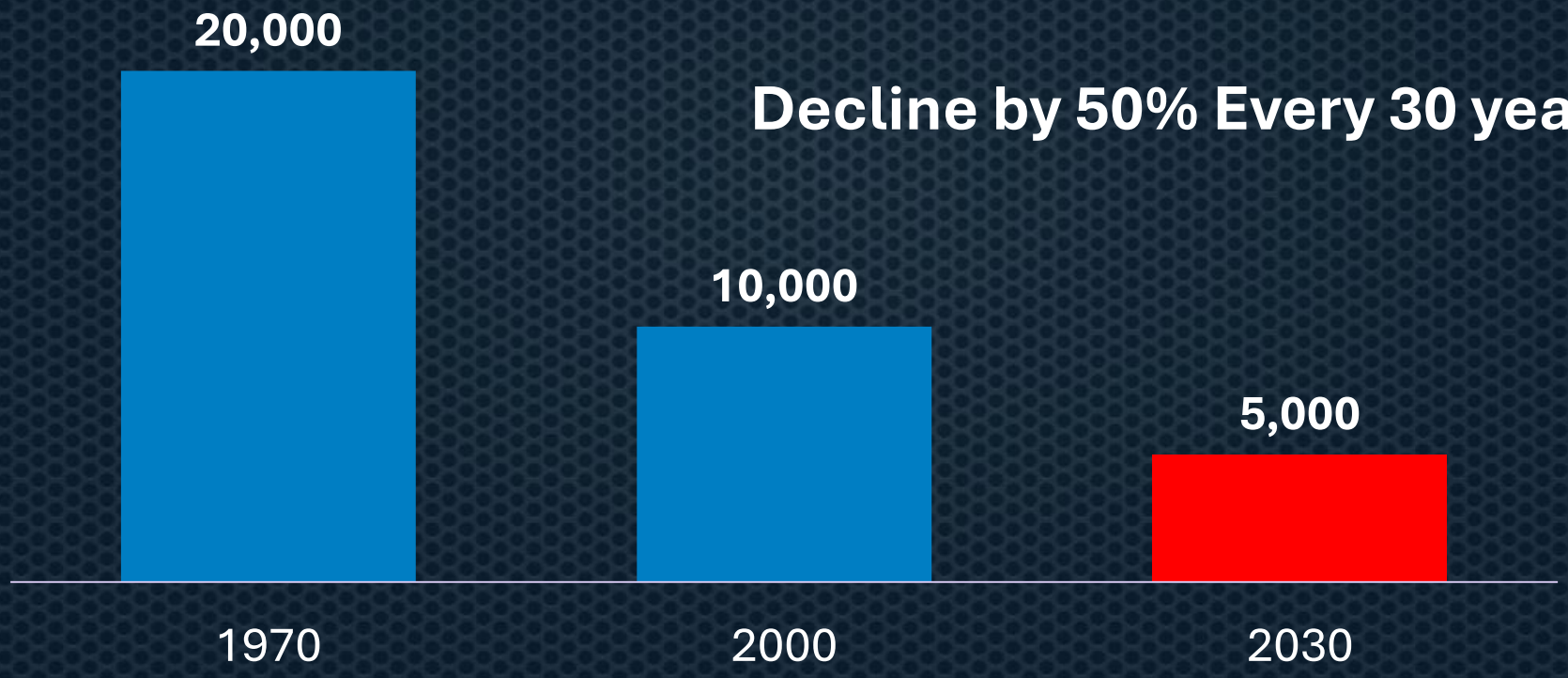
Share of Dealer Owners by Number of Stores Operated



Source: NADA Industry Analysis

Dealer Body is Shrinking

Approximate Number of US Dealership Owners Expected

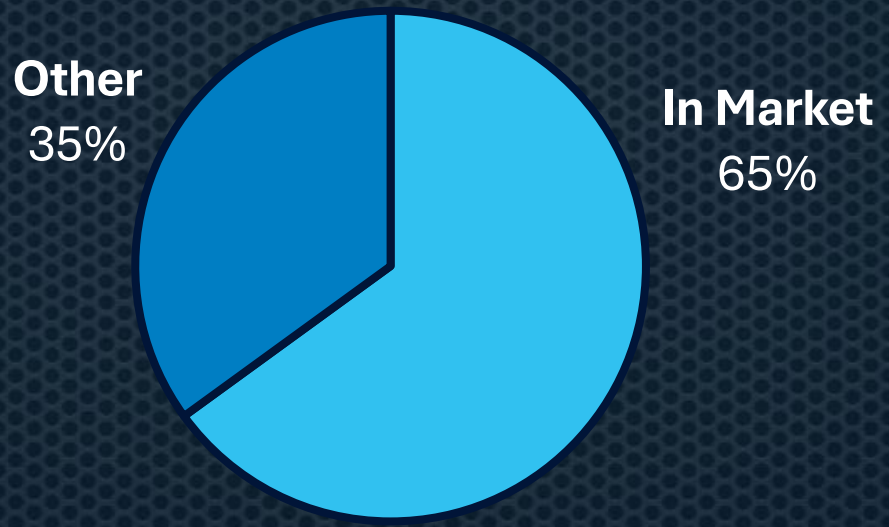


Source: NADA Industry Analysis, Kerrigan Advisors' Research and Analysis

Markets Becoming More Consolidated

Share of Franchises Acquired by Location of Buyers

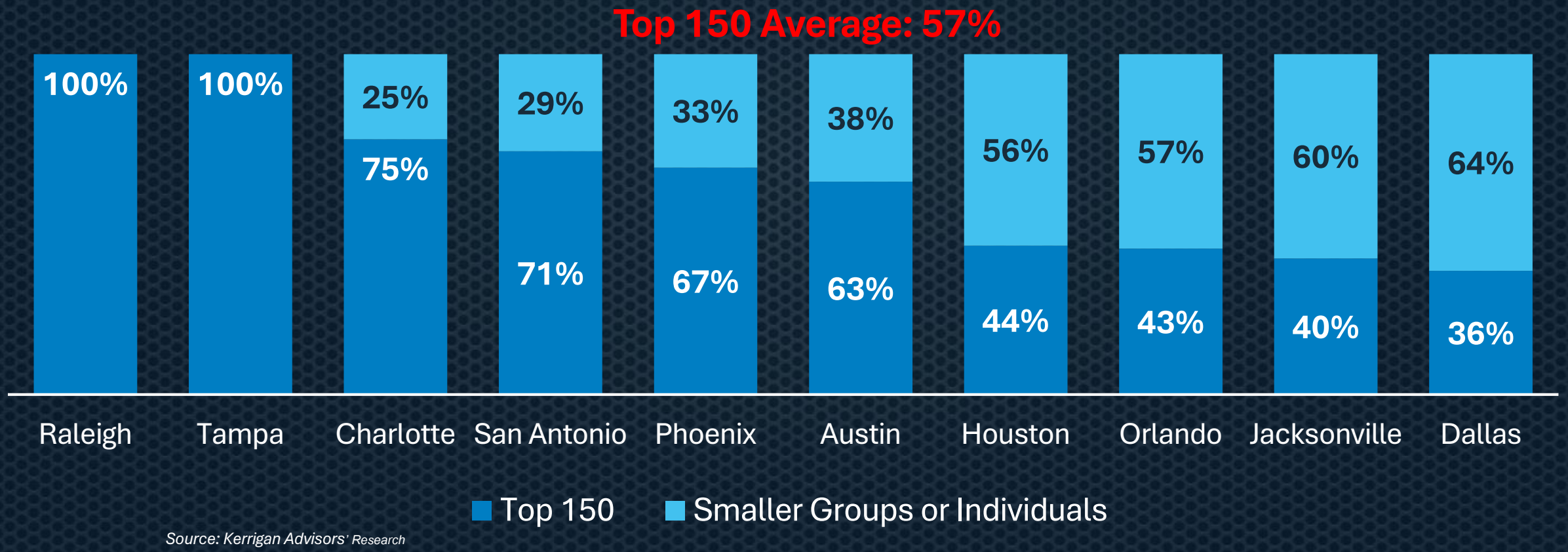
First Half of 2025



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

Regional Snapshot

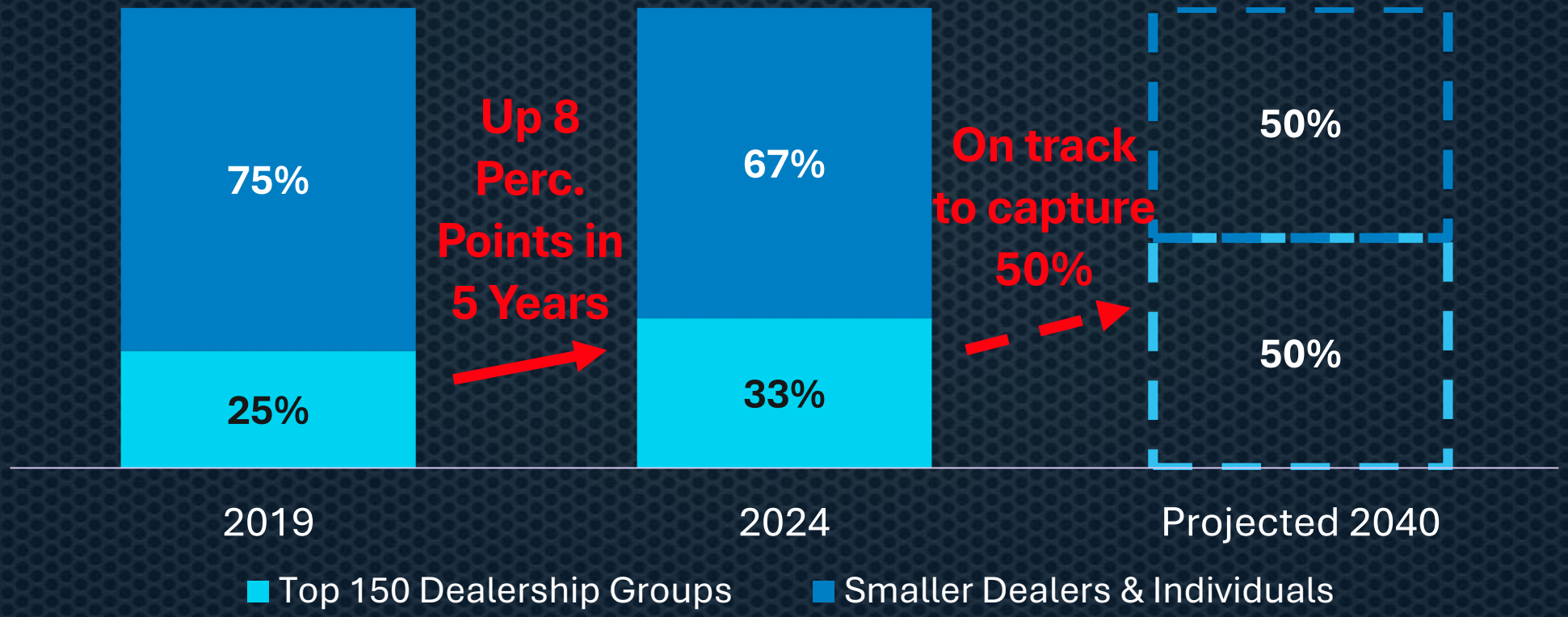
Share of Toyota Franchises by Owner Type in Top 10 Fastest Growing Metros



Source: Kerrigan Advisors' Research

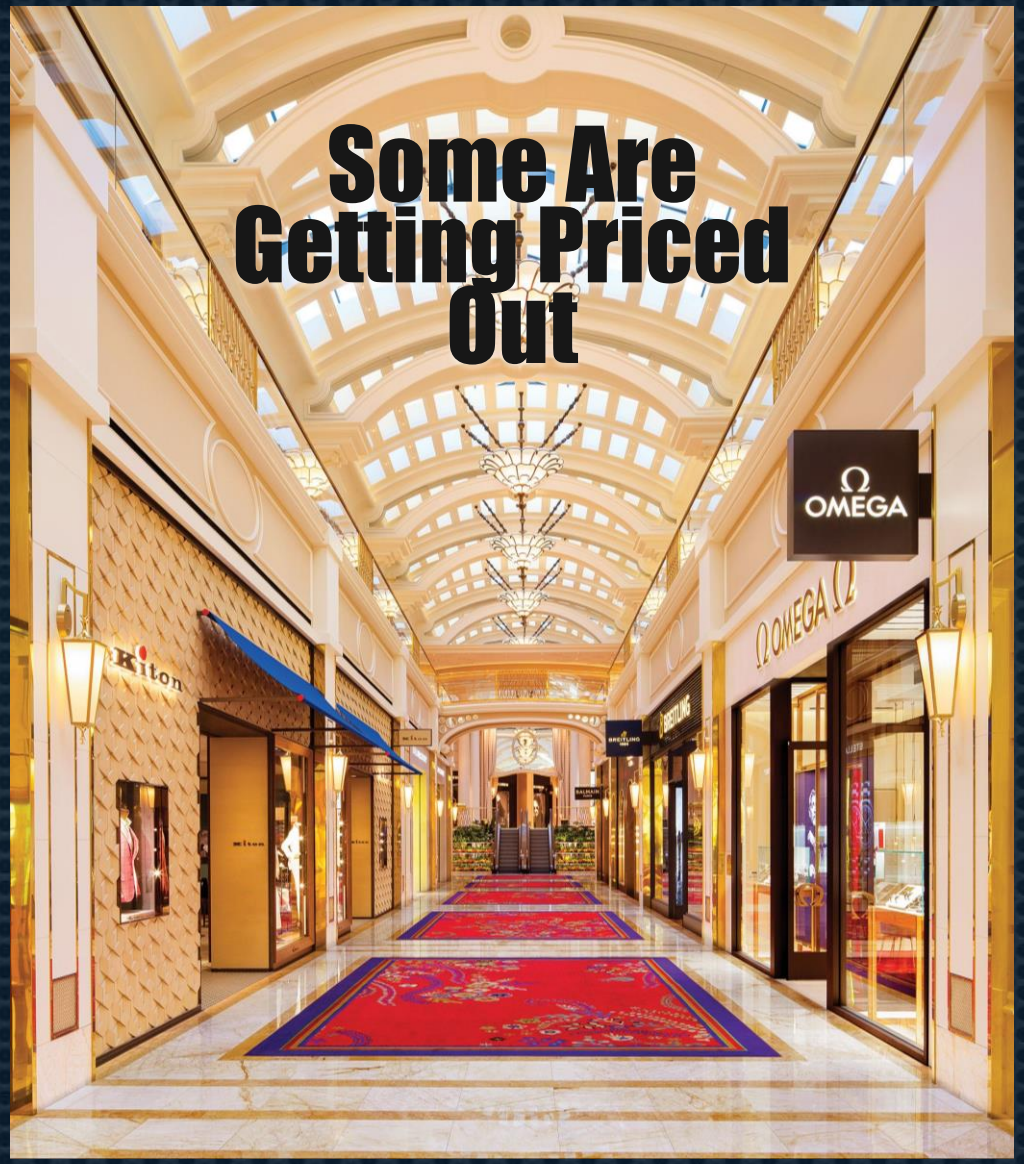
Top 150 Groups Achieve Majority by 2040

Market Share of Industry Revenue by Owner Type

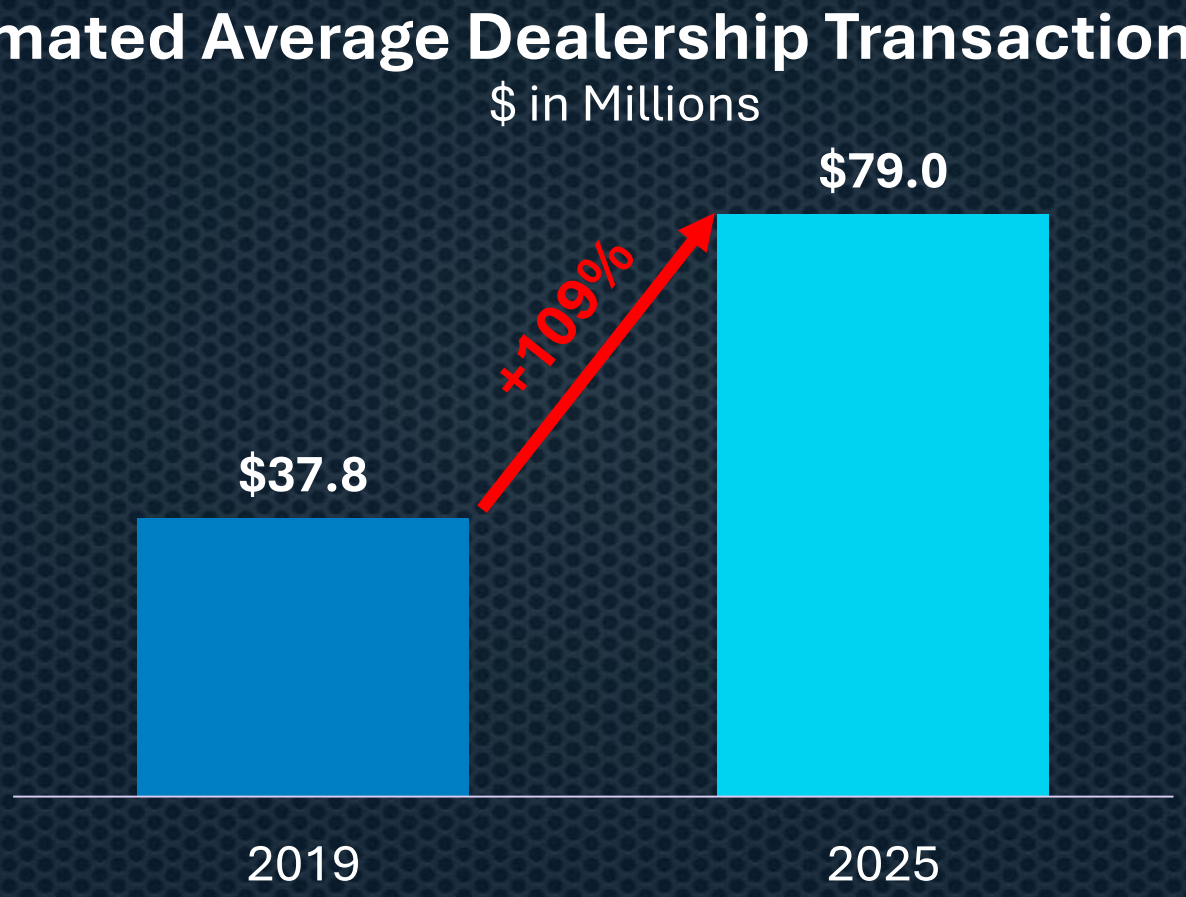


Source: Automotive News, SEC Filings, Kerrigan Advisors' Research & Analysis

II. Valuation



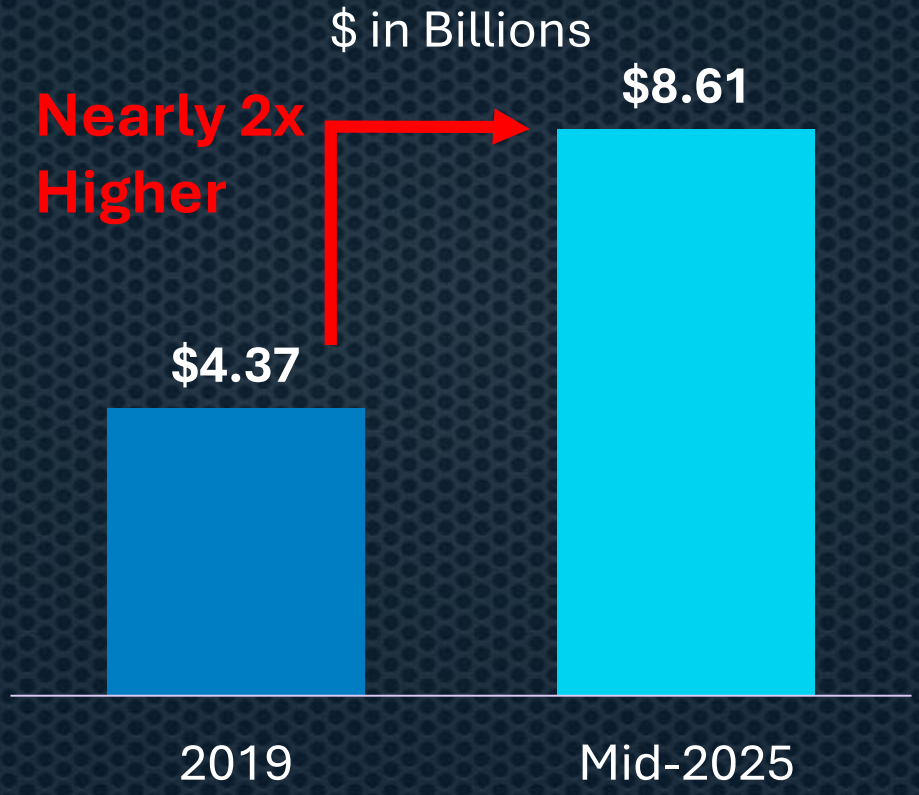
Average Transaction Size Has Risen Materially



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

Top Acquirers Are Well Capitalized

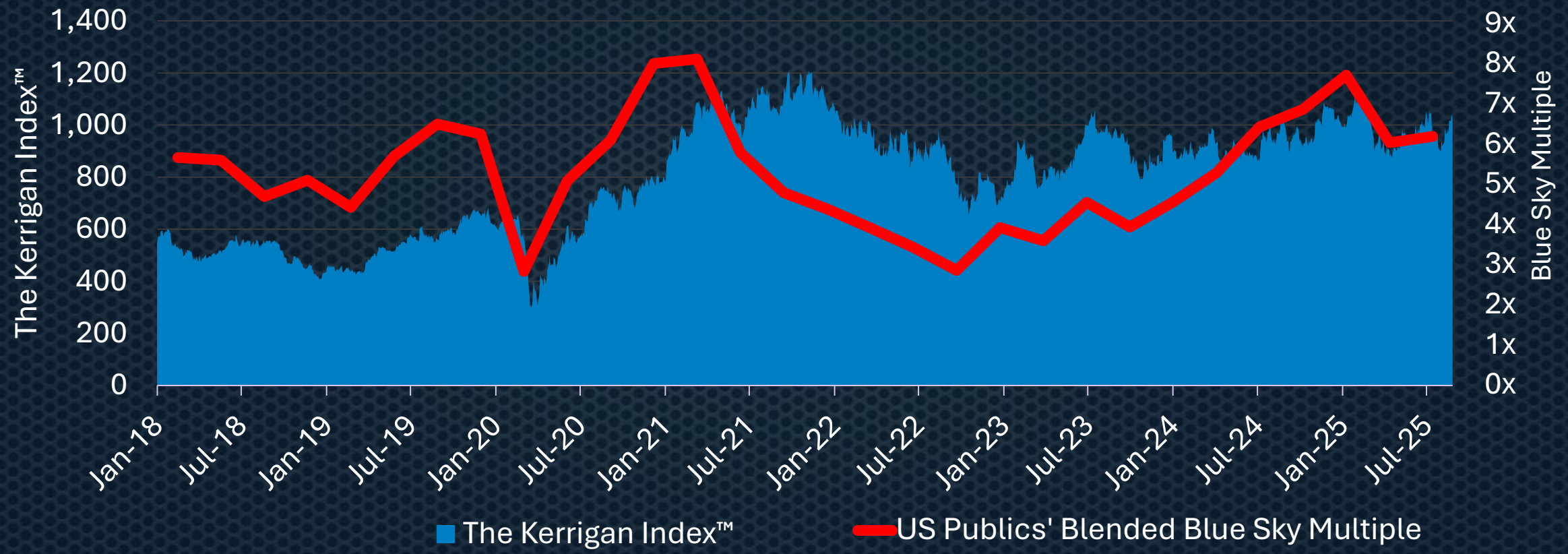
US Public Dealer Groups' Total Capital Availability and Liquidity



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

The Public Auto Retailers' Valuations On Rise

The Kerrigan Index™ vs. US Publics' Blended Blue Sky Multiple



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

Methodology: The Kerrigan Index™ is composed of the seven largest publicly traded auto retail companies with operations focused on the US market, including CarMax, AutoNation, Penske Automotive Group, Lithia & Driveway, Asbury Automotive Group, Group 1 Automotive and Sonic Automotive. The Kerrigan Index™ is weighted by the market capitalization of each company and benchmarked at 100 on 1/3/2000.

Outside Capital Growing

CAPITAL SOURCES









OPERATORS











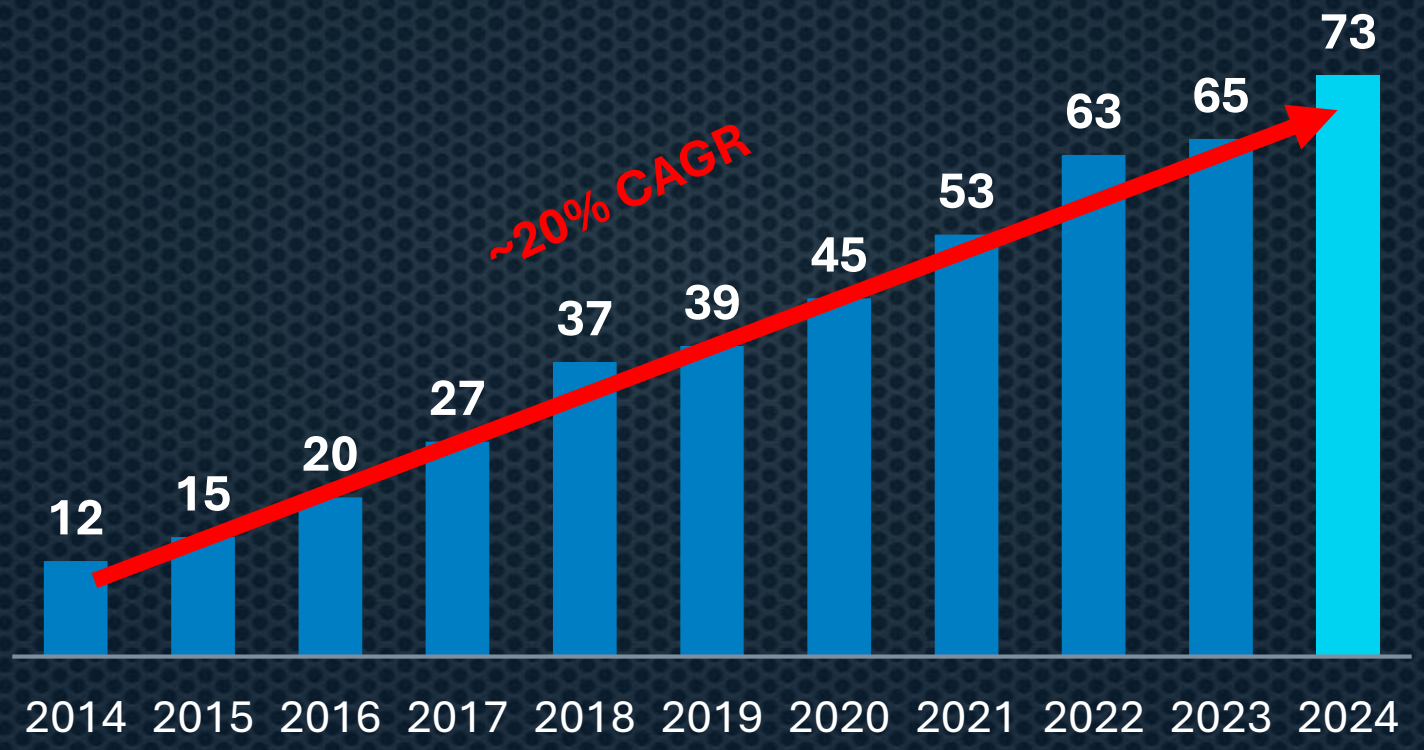






Morgan Auto Group's Growth Story

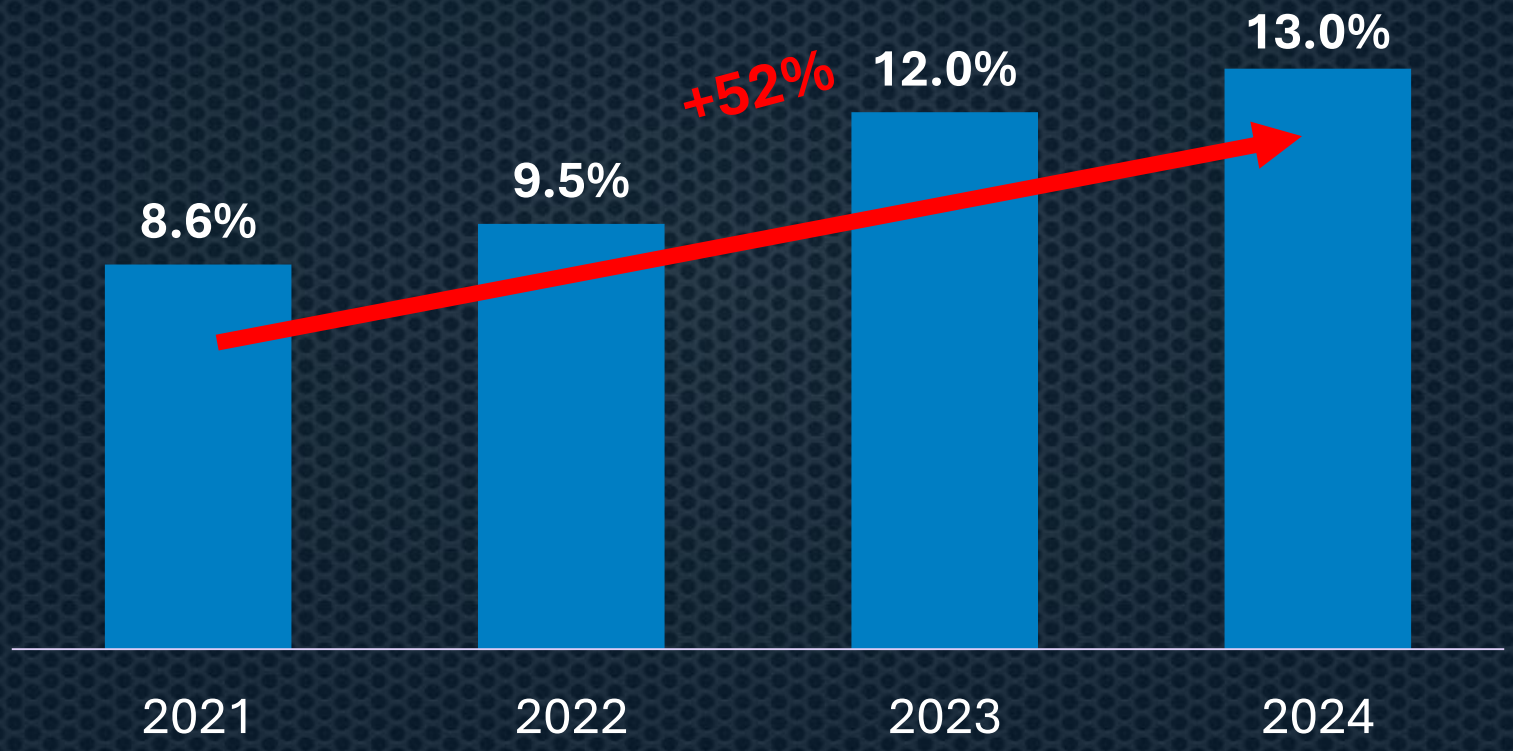
Morgan Auto Group's Store Count in Florida



Source: Automotive News, Kerrigan Advisors' Research

Percentage of Top 100 With Outside Capital

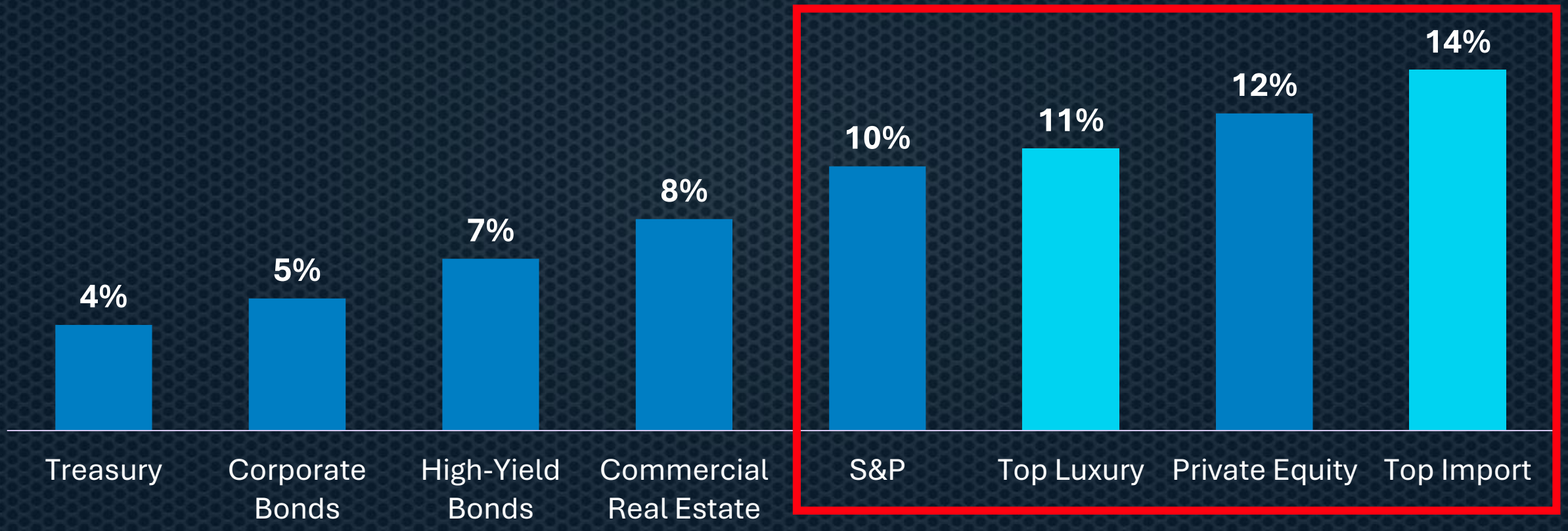
Top 100 Dealer Groups' Share of Revenue Owned by Outside Capital



Source: Automotive News, Kerrigan Advisors' Research

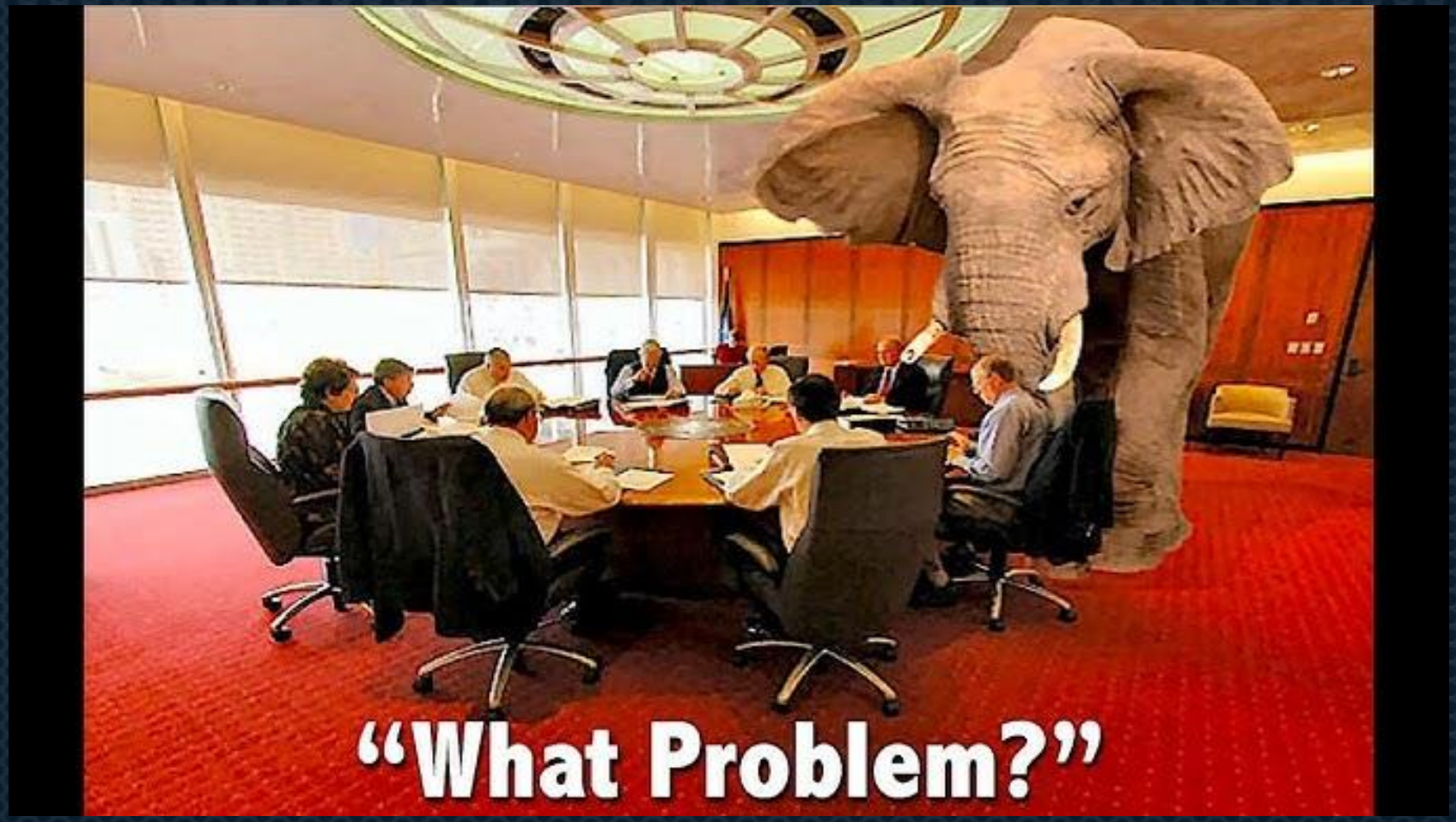
Valuations Driven by Market Analytics

Estimates for 2025 Annual Returns



Source: Yahoo Finance, Microsoft Finance, Kerrigan Advisors' Research & Analysis

III. Real Estate



New Image Programs







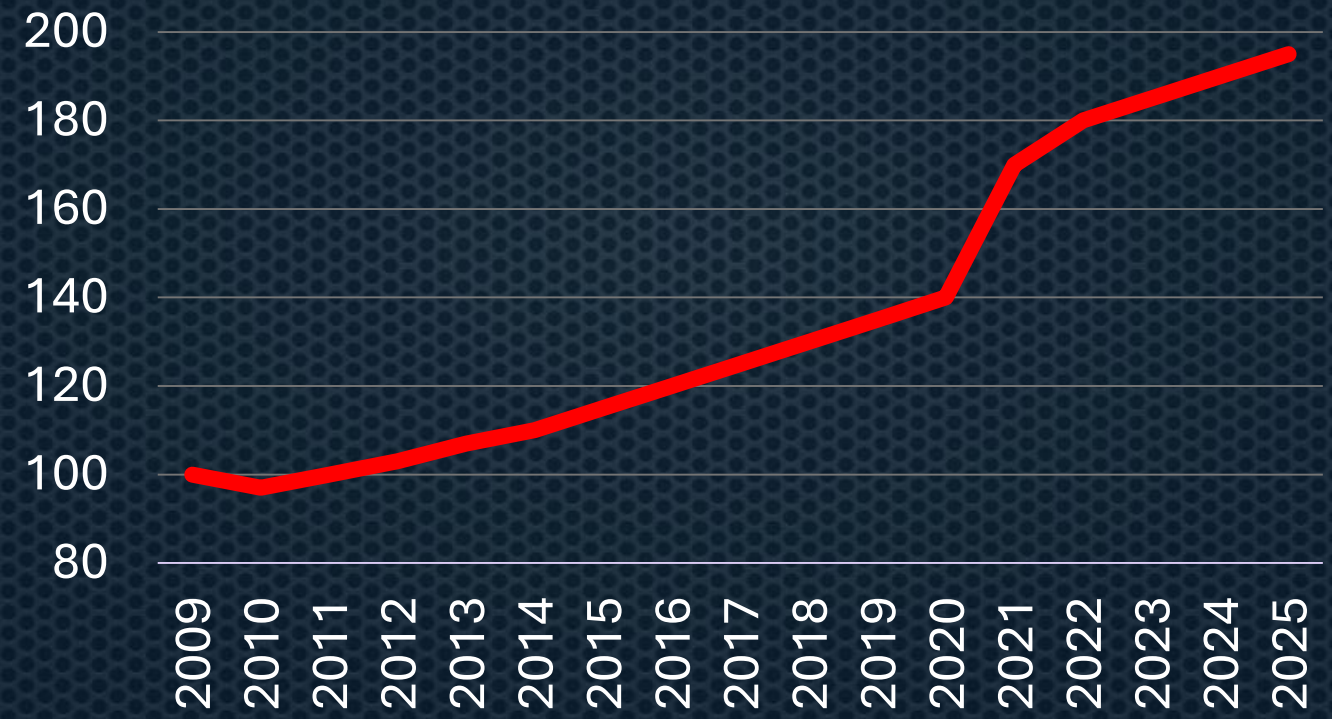






Construction Costs Continue to Rise

Mortenson Overall Construction Cost Index

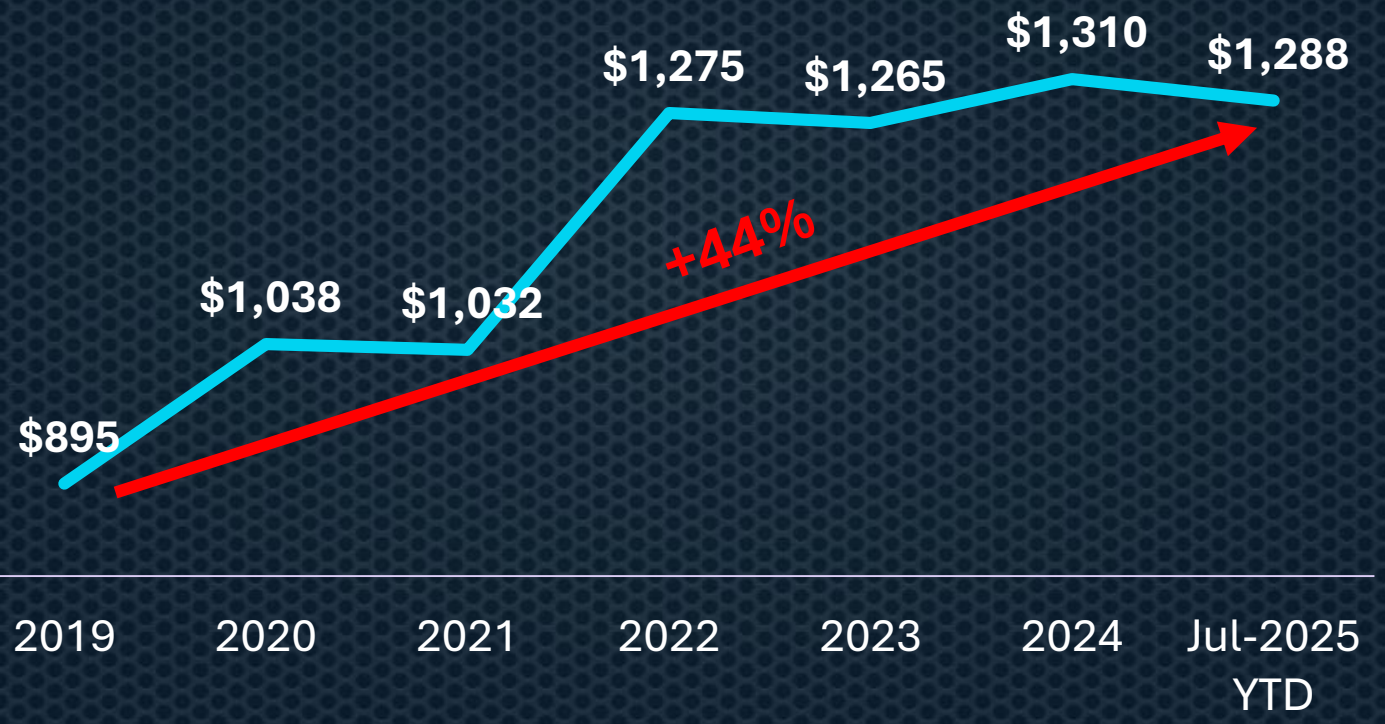


Source: Mortenson Construction

Methodology: Benchmarked at 100 in January 2009.

Expensive Image Upgrades Driving More Dealers to Sell

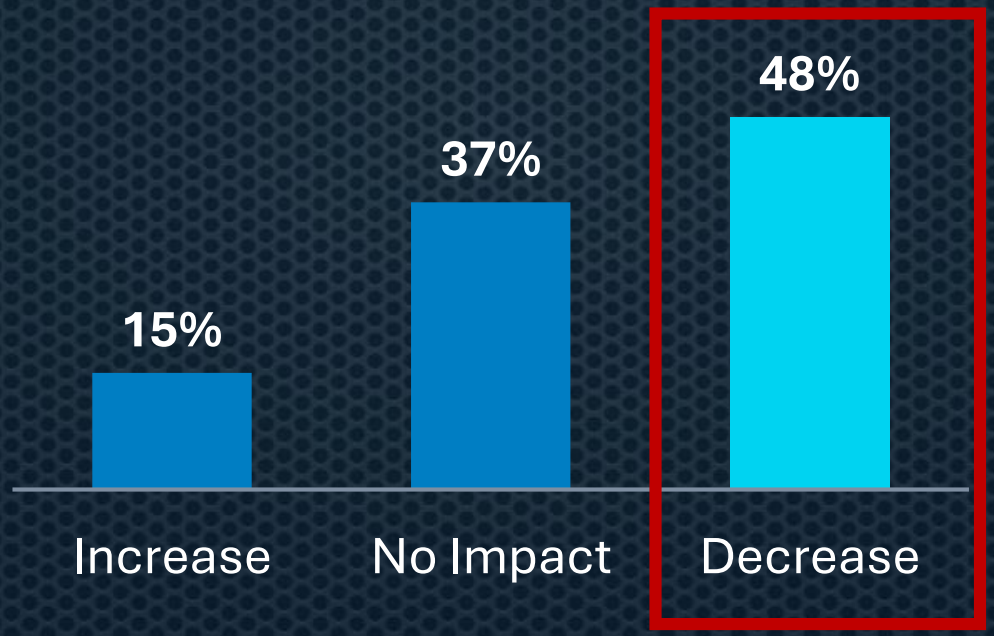
Average Dealership Rent Expense per New Vehicle Retailed



Source: NADA Industry Analysis

Non-Compliant Real Estate Results in Discounted Blue Sky Multiples

How do you expect real estate and property investment requirements by the OEM to impact future dealership profits?



Source: 2024 Kerrigan Dealer Survey

IV. Financing Complexity



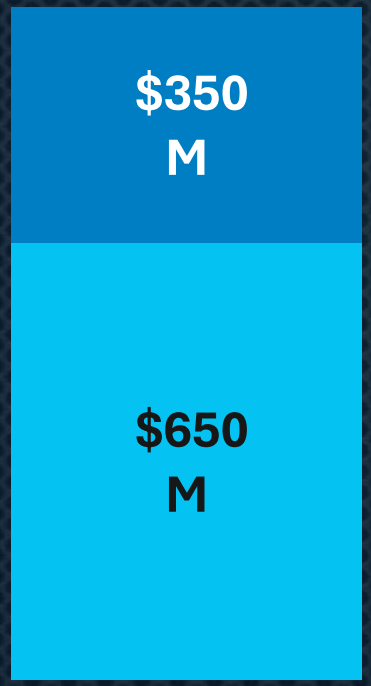
Financing Complexity

- Escalating deal sizes driving more need for debt capital
- Lender may require corporate reorganization to allow for large credit facility
- Financing process impacts timing and cost
- Finance sources do same or more diligence than buyers
- Debt structures become more complex (syndications, private bonds, private debt)

Private Dealers Tap Bond Markets

MORGAN AUTOMOTIVE GROUP

$1B



Issued Jan. 2024
8.250%
Due 2031

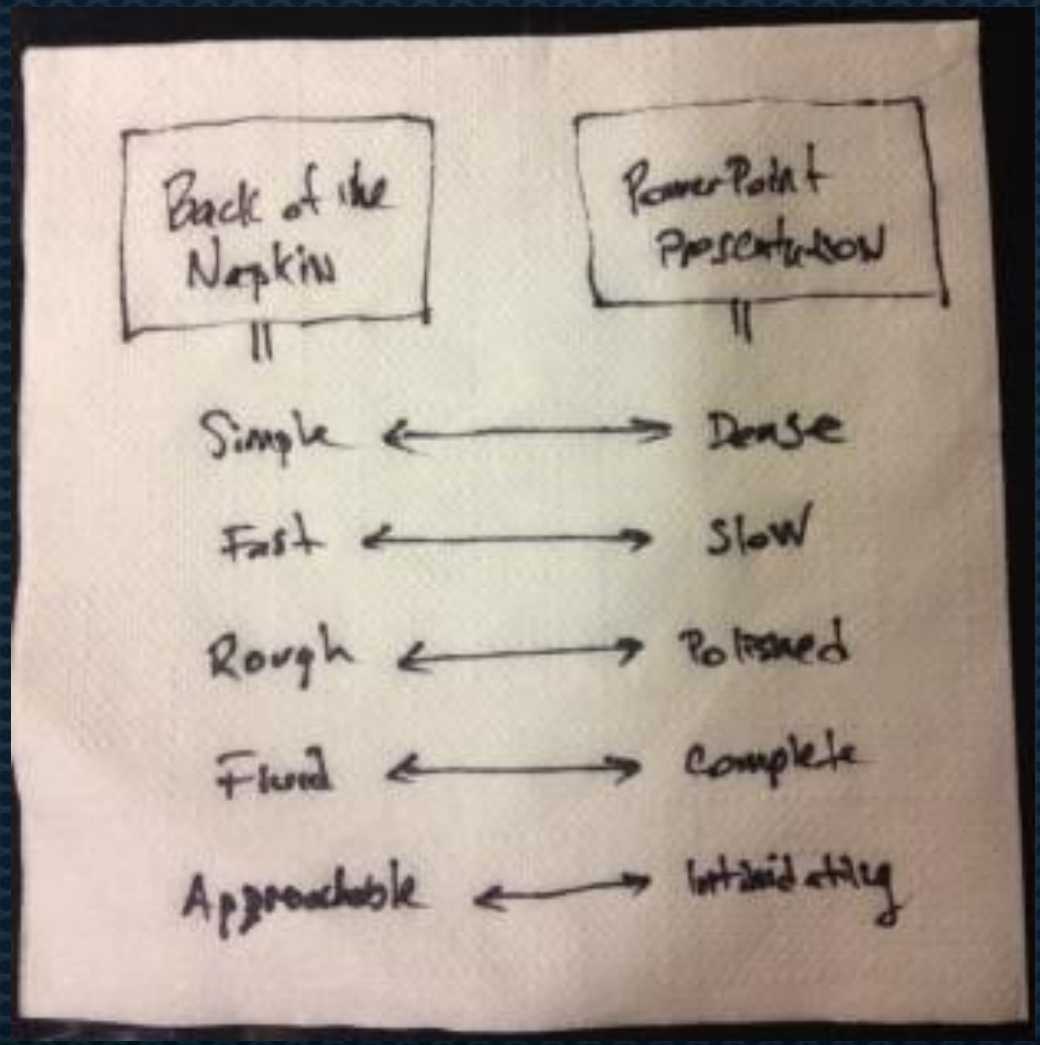
Issued Apr. 2021
4.875%
Due 2031

Ken Garff



Issued Oct. 2020
4.875%
Due 2028

V. Transaction Structures



Group Sale Distinct From Single Purchase

Jim Koons Automotive Cos. Store Count



Source: Automotive News

#9 Largest Private Group

$1.3 Billion Sale

Sold to Asbury in 2023

Deal Structures – Asset vs. Stock Sale

Asset Sale

- Traditional model
- Selling assets (often incl. real estate)
- Leave liabilities behind
- Pricing is straightforward
- Form whole new company as buyer
- Ability to understand risk easier because finite assets being purchased
- Value to buyer will be based on ROI

Stock Sale

- Not seen often historically
- Buying the actual company – ALL assets and ALL liabilities
- Pricing is based on balance sheet and can be more complicated
- Same entity, so all history is being bought also
- Risk determination harder
- Value to buyer will be based on ROI

Alternative Structures – Something Less than Full Sale

Joint Ventures

- Essentially the end relationship is seller remains with some ownership
- Often described as joint venture (equity) or rollover transaction (asset)
- Key theme is that many sellers are not getting completely out
- Dealership model is well suited to this so long as owner has strong teams in place
- Attractive to outside capital given OEM operator policies

VI. Indemnification & Escrow Trends

- Holdbacks are disappearing
- Given intense diligence provided, sellers are not willing to take risk
- Do see limited specific escrows for matters discovered during diligence
- Indemnity baskets and caps are standard. Often sliced and diced and not blankets
- Rep and Warranty Insurance - potential alternative
- Seller tail insurance

VII. Deposits & Contract Enforcement

- Shift away from percentage-based
- Looking to protect on damages if breach
- Demonstration of Buyer strength
- Deposit conversation impacted by liquidated damages discussion
- Bifurcated deposits

VIII. Transaction Staffing and Support



Selling A Business is a Full-Time Job




"GET THE
RIGHT PEOPLE
ON THE BUS
AND THE
WRONG PEOPLE
OFF THE BUS."
— JIM COLLINS

Advisors With Experience Is Critical

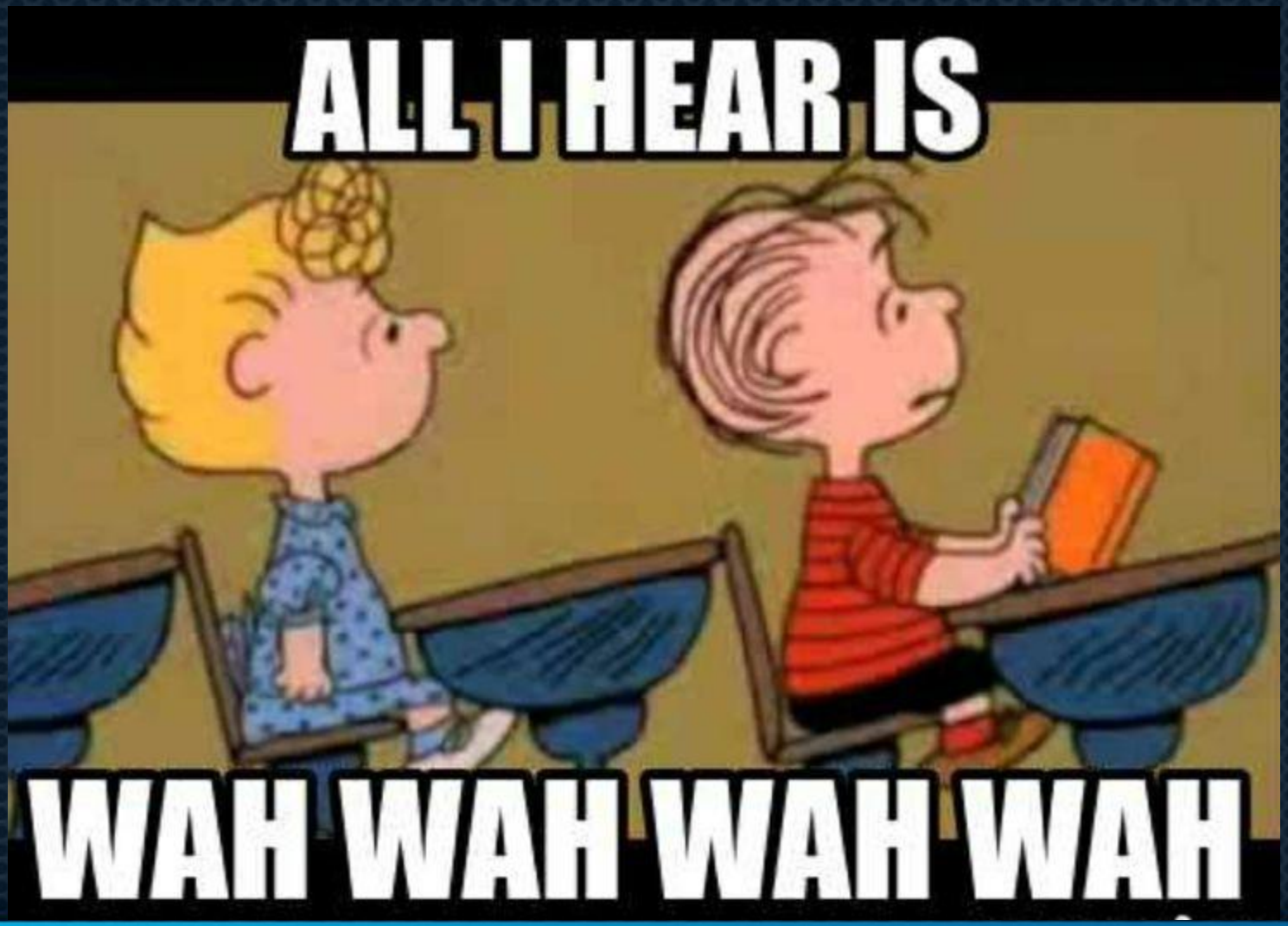
Need attorneys with knowledge of corporate M&A *AND* auto retail



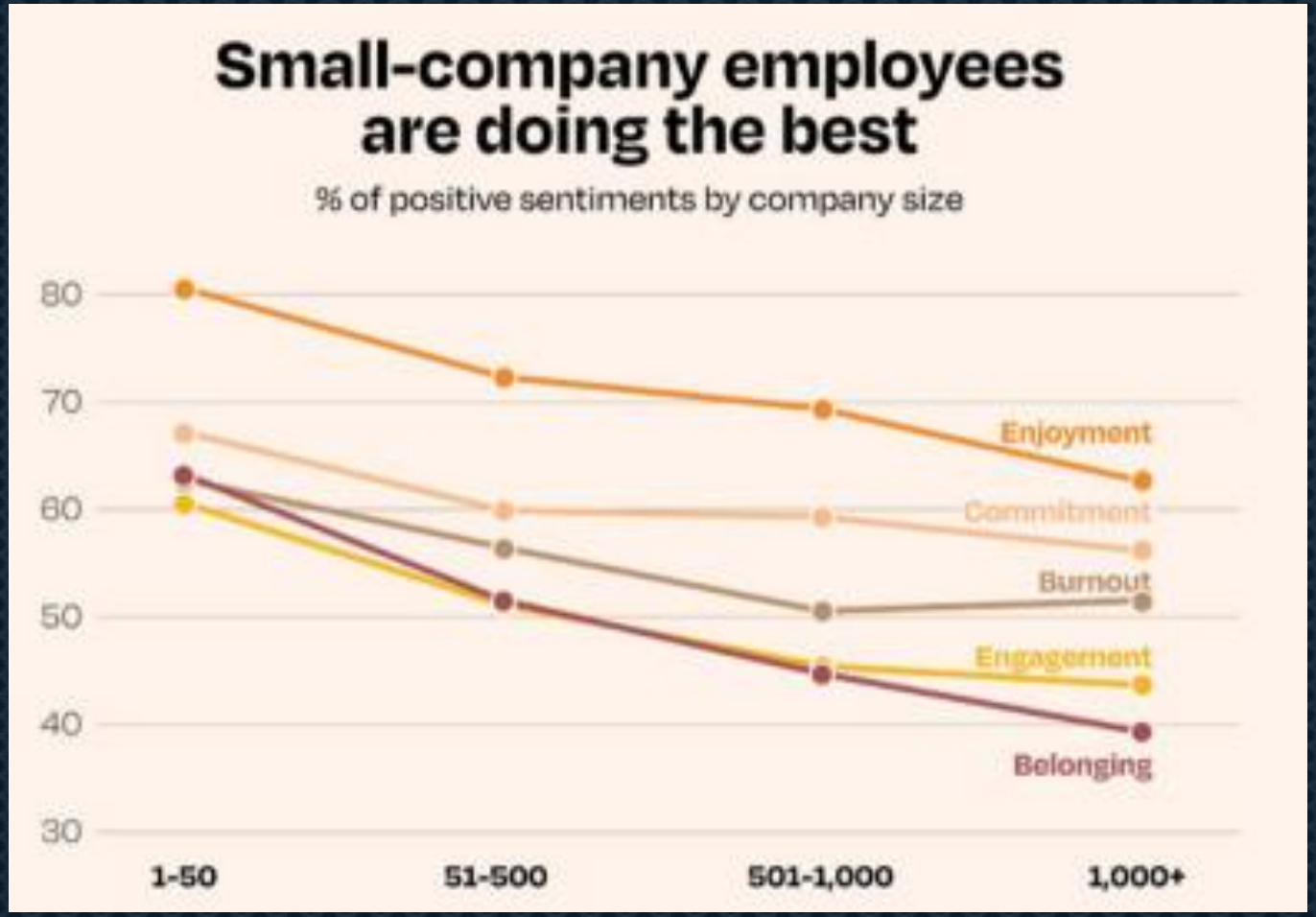
IX. Human Capital



The Importance of Controlling the Messaging



Employees Fear Consolidation



Human Capital

- Often most important asset in the deal - operators
- Can impact deal structure, especially with financial buyers
- Strong management and employee teams will impact value and pricing
- A significant consideration in partial sale transactions or transactions that do not close all at once

Non-Competes and Buyer and Seller Flexibility Post-Closing

- Much more negotiated
- Partial sales and carve-outs more common
- Seller winding down business, but not out of the industry
- Family dynamics of Seller – family members staying in business or industry
- Buyer assistance with wind down of balance sheet

X. OEM Influence & Approvals



OEM Controls Timing



The Challenge of Multiple OEM Approvals

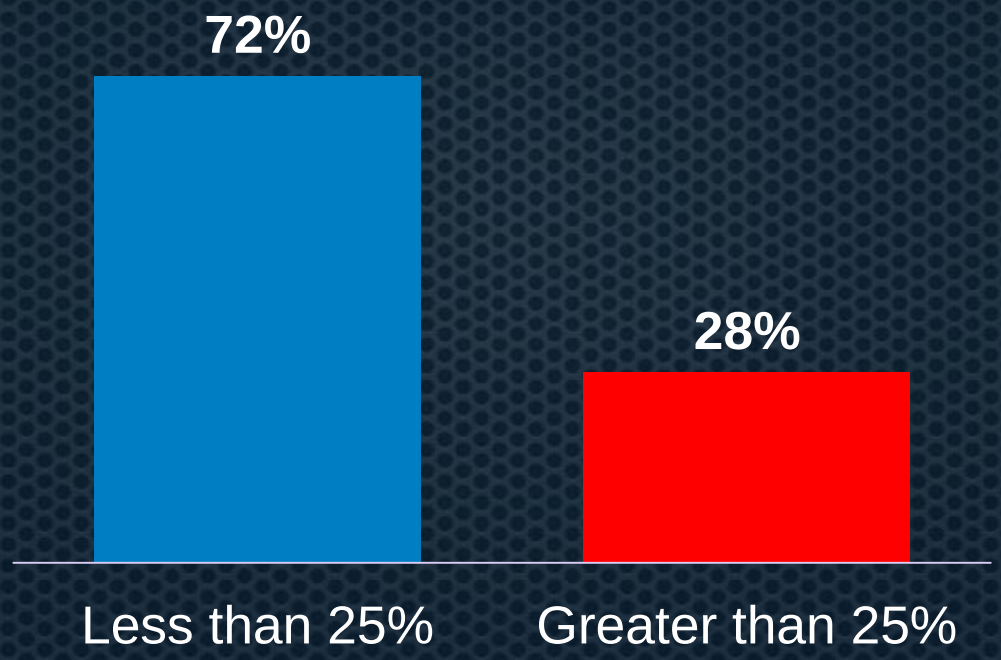


OEM Framework Agreements



ROFR On The Rise

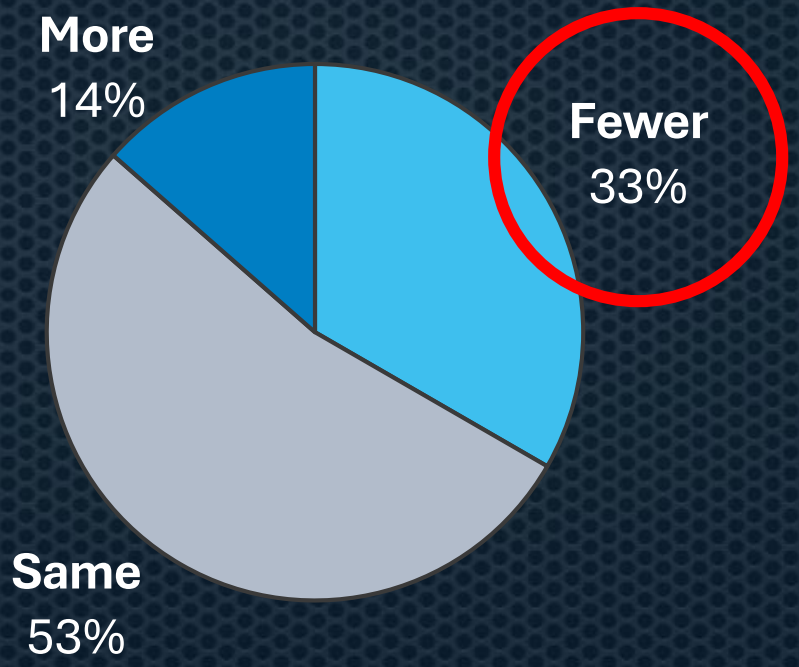
What percentage of transactions do you plan to use ROFRs?



Source: 2024 Kerrigan OEM Survey

More OEMs Seeking to Shrink Network

Do you believe your OEM will have more, fewer or the same number of dealers in your network in the next 5 years?



Source: 2024 Kerrigan OEM Survey

“If there is such a thing as a holy war in the franchise world, it’s a holy war.”



Don Hall, CEO
Viriginia Automobile Dealers Association
Automotive News - July 16, 2025

QUESTIONS?

LAS VEGAS

FEBRUARY 3-6

2026 NADASHOW



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