Dave Cantin Group

KAISER ASSOCIATES

2025 MOR MARKET OUTLOOK REPORT

2025 Dave Cantin Group Market Outlook Report (MOR) Midyear Update

Themes Driving Automotive

Checking in on the state of U.S. retail automotive at the midpoint of 2025

At the middle of 2025, the U.S. automotive industry is **at the intersection of record sticker shock and unwavering consumer appetite:** New car prices are still at all-time highs, financing rates refuse to blink … and buyers are undeterred. This is a market where *affordability* is simultaneously the biggest headwind and the biggest opportunity for dealers to stand out and win.

China is circling: Four in ten Americans say they would buy a Chinese-built vehicle for just a ~10% discount and 75% of dealers expect the first mainland brand could be on U.S. lots within 12 months. Half of dealers we surveyed are "very concerned," but this is a geopolitical coin toss: one unpredictable move from Washington could swing the door wide open (or keep it shut).

EVs are no longer only a Tesla story: BEV share has stabilized around ~7% (while HEVs have continued to grow quietly to ~14%). But *who* is selling continues to change. The "Musk effect" is real and Tesla's share loss has been a boon for traditional Detroit players. Maybe EV is "evolutionary" and not "revolutionary" after all?

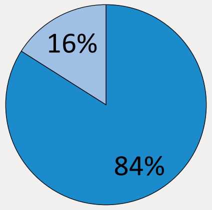
Dealers are in the driver seat: While tariffs have pushed Ford to its first quarterly loss in years, dealers' pre-tax margins are climbing, and dealer sentiment is optimistic for the rest of 2026. Manufacturers have only one way to make money (selling cars), and they are feeling the pain, but creative dealers have more tools at their disposal and, for the smart ones, 2025 is looking pretty good.

- The Kaiser Associates Market Outlook Report Research Team

U.S. Dealership Owner Survey (Q2 2025)

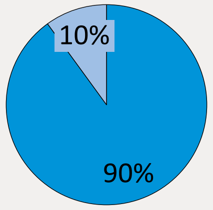
Our July 2025 U.S. Dealer survey collected responses from ~100 owners & managers of dealerships across the U.S.

Split by Role



Ownership
Operational Management

Split by Ownership Type

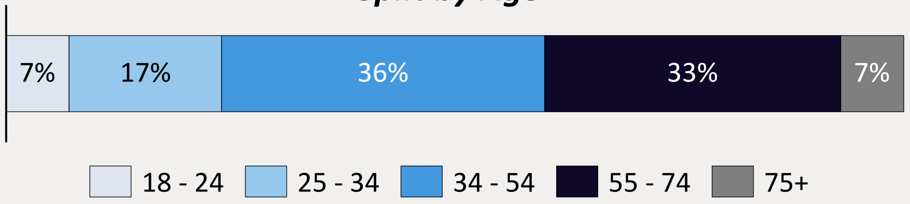


Privately Owned
Publicly Owned

U.S. Consumer Survey (Q2 2025)

Our July 2025 Consumer survey collected responses from a diverse mix of over 2,000 U.S. automobile owners.

Split by Age



Tariff Disclaimer

While tariffs are undeniably ***top of mind*** for the industry, they represent a ***systemic, structural shift*** rather than an isolated theme. Tariffs are being woven into the fabric of the industry – and at this stage in 2025 – there are still more questions than final answers.

We believe it would be premature at this point to opine or quantify the exact impacts tariffs will have on the retail automotive landscape. Instead, ***we have focused our analysis on core themes that are both current and directly actionable*** for decision-makers in the retail automotive industry.

Readers should not expect to see explicit analysis of tariff impacts in this report. However, the influence of tariffs should be understood and reflected on through the four themes discussed in these pages.

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Themes Driving Automotive

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MIDYEAR 2025

Affordability

The single biggest force impacting the industry
More info on pages 5,6,16,17,18,19,23,25,27,28,29,30,31

Chinese OEMs

US consumers open to purchasing
More info on pages 7,8,22,26,38

EVs

Tesla stumbles opening the door for competitors
More info on pages 9,10,33,34,35,36,37

Dealers Rise

Retail thrives while OEMs struggle with tariffs
More info on pages 11, 12, 22, 24, 25, 32, 37, 40, 41, 42

M&A

Increasing demand for dealerships drives M&A
More info on pages 13,14,20,38,39,40,41,43,44

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Affordability

Affordability is the dominant theme affecting the automotive industry right now, and it's having implications well beyond the dealership.

- While the economy has held up well this year, rates remain high, wage growth is stagnant, revised job numbers point to a slowdown, and tariffs are leaving consumers uncertain about inflation.
- Despite this, our survey shows consumers are more bullish than last year, that they intend to purchase vehicles, expect to pay more than in the past, and that they are willing to finance these purchases. Consumer demand looks good, not bad, despite new car prices holding near record highs.
- At midyear, affordability is impacting what and how to purchase more than whether to purchase at all. Consumers are trading down (midsize vehicles – trucks, SUVs, and cross-overs – are hot), willing to give up bells and whistles and reduce trim packages, and more open to switching brands.
- Vehicles that check the boxes of affordability *and* reliability have become hot, elevating challenger brands like Buick and Mazda (see slide 23).
- There are storm clouds building in the subprime auto market with 60+ day loan delinquencies increasing, loan terms of 84-months increasing and negative equity reaching all-time highs.

Affordability

KEY STATS

- Subprime 60+ day auto loan delinquencies hit **6.6%, the highest rate in over 35 years**.
  - Record Highs in Negative Equity Statistics: In Q2 2025, **52.1% of vehicle transactions involved negative equity**; Borrowers with 84-month loans (7 years) had a median negative equity of -$8,485.
- 84 months: **19.8%** of new car loans (up from 15.8% in Q1 2024 and 13.4% in 2019)
- In the Q2 2025 earnings call, Ford Motor Co. executives acknowledged affordability as a critical challenge.
- Ford said in early August it would delay the launch of two next-generation electric vehicles as it shifts its focus to smaller and more affordable models.
- Automotive News reports that brands are launching value-focused special editions and expanding lower-end trims to counter rising payments.

DCG'S RETAIL TAKEAWAYS

- Manufacturers and dealers are creating ways to make vehicles more affordable; some of these are solving the problem and some are kicking the can down the road and making it worse. Dealers should be playing the long game and truly looking out for their customers.
- Dealers are proving they can drive profitability across different areas of their business; sacrificing on new vehicle sales to win the customer is a winning strategy.
- Dealers should challenge their manufacturer partners on their structural efforts to improve affordability (new products, reduced trim packages, financing support, tariff mitigation, etc).
- The market expects The Federal Reserve to lower interest rates by **75 basis points** before the end of the year, driving down borrowing rates for loan costs for consumers and dealers and stimulating economic growth.
- Dealers need to pay attention to ***local*** job growth, unemployment rates and wage growth to better understand the regional consumers' financial picture.

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Chinese OEMs

Chinese OEMs are on the horizon, consumers are intrigued, dealers are worried, and – at the end of the day – this is probably all about Trump.

- With affordability at a premium now, consumers are increasingly open to purchasing a Chinese-origin vehicle even if it is only modestly cheaper (~10%) than a U.S., European, Korean, or Japanese model.
- Dealers think it's inevitable that Chinese OEMs enter the U.S. (75% of dealers surveyed expect this to happen in the next ~12 months) and the vast majority of dealers (85%) say they are worried about the impact the entry of Chinese automakers will have on their businesses.
- Chinese OEMs like BYD, SAIC-MG, and Chery had been pursuing manufacturing in Mexico as a way to avoid Biden era tariffs, but BYD recently backed down from its Mexico factory plans after the Trump administration took aim to close loopholes in the Mexican and Canadian trade deals.
- Mexico has ceased its deals and incentives for Chinese automaker investment, presumably due to US pressure; going so far as to cancel meetings with BYD.
- While the administration seems focused on limiting the Chinese from selling cars in the U.S. now, another likely scenario could be a direct deal with China that seeks control over how these companies enter the U.S. to force direct investment in the U.S. and potentially the creation of partnerships with U.S. companies (as the Chinese do with foreign companies).

Chinese OEMs

KEY STATS

- **40%** of U.S. consumers surveyed are open to purchasing a Chinese made vehicle if it were only modestly cheaper.
- Chinese OEMs doubled market share in the EU in H1 vs. a year ago, with **sales growing 91%**; BYD outsold Tesla in Europe for the first time in April 2025.
- As of mid-2025, BYD had publicly stated it has no plans to enter the U.S. market, citing “complications” related to trade policy and tariffs.

DCG’S RETAIL TAKEAWAYS

- Near-term entry into the U.S. market seems unlikely and any entry at scale seems even more distant. A more controlled and prescribed entry within Trump’s term could be a likely scenario.
- Europe’s policies and preference for smaller vehicles represents an easier short-term target for Chinese manufacturers.
- Trump’s direct investment strategy for foreign brands, Bernie Moreno’s presence in Trump’s circle, and the strong auto association lobby make a direct-to-consumer model seem unlikely.
- U.S. dealers may find significant opportunity in a controlled entry into the U.S. that conforms to the existing franchise model, enabling them to add Chinese OEM brands and the lower-price vehicles many U.S. consumers are desperately craving.

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EVs

EVs are here to stay, the evolution continues, and we're beginning to see where manufacturer strategies are aligning with consumer demand for the segment.

- Powertrain preferences for primary automobiles have stabilized (~80% ICE, ~13-14% hybrid, ~6-7% battery electric), but more buyers (~20% of buyers this year vs. ~14% last year) are choosing BEV or HEVs for their secondary vehicles.
- The EV evolution continues. We're seeing strength with specific segments of consumers and distinct strategies emerging from manufacturers that are leaning into EV as a part of their growth strategy. We're even seeing which models are taking root. General Motors increased its EV sales by 111% (H1 2025 vs. H1 2024) and now the popular Ford Mustang Mach-E SUV outsells the ICE version of the Mustang, even with a higher starting price on the Mach-E.
- While Tesla stumbled in the first half of the year, the company remains the dominant EV manufacturer. However, the EV maker's rocky first half opened the door for other manufacturers, including General Motors, to capture consumer attention and gain market share. Watch for a Tesla push in the back half of the year as its Robotaxis roll out, the stripped-down Model Y hits showrooms (in Q4), and Elon's political stint fades from consumers' memories.
- Used EV sales represent an opportunity to win over more consumers. Former leased EVs are hitting dealers' lots and offer an affordable vehicle option due to greater depreciation than ICE vehicles (used EV sales were up 32% in May vs. a year ago).

EVs

KEY STATS

- "Despite slower EV industry growth, we believe the long-term future is profitable electric vehicle production, and this continues to be our North Star." – Mary Barra, GM CEO
- **93% of consumers** who stated their interest in Tesla had significantly decreased in the past 6 months cited the "political environment" or "actions taken by Elon Musk."
- Tesla still outsold General Motors EVs 620,803 to 78,167 in the first half of 2025 – **nearly 8 to 1**.
- In 2024, Ford sold 51,745 Mustang Mach-E SUVs in the United States vs. 44,003 gas-powered Mustangs.
- According to Cox Automotive, new EV sales **fell 6.3%** year-over-year to **310,839 units** in Q2 2025, despite a **4.1% increase from Q1**. This marked only the third quarterly decline on the record, signaling a maturing market.
- However, total EV sales in H1 2025 reached a **record 607,089 units**, up 1.5% year-over-year.

DCG'S RETAIL TAKEAWAYS

- Successful EV sales will be done in a hyper-targeted way, marketing specific models to specific consumer segments. EV is no longer a one-size-fits-all approach with the consumer.
- Dealers should take a strategic and unemotional approach to EVs, leveraging data to find the 15% to 50% of consumers open to purchasing EVs and converting them to the 5% to 15% of consumers that will purchase.
- Dealers need to have a targeted "used EV" strategy to capture growth from an emerging market, and to lock in new customers who will require skilled EV technicians to service complex issues with these vehicles that can only be performed by the dealer.

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Dealers Rise, Manufacturers Struggle

Tariffs expose stark differences in manufacturer and retail dealer business models.

- Q2 2025 earnings revealed multi-billion-dollar hits to manufacturers as most made the decision to absorb the tariffs rather than pass them on to their dealer networks and consumers. With consumers already struggling with affordability, OEMs are stuck between profitability and customer retention.
- Dealers have more ways to make money – than OEMs – in this or any environment. New vehicles sales are not a huge profit driver for dealers, so they are willing to be more flexible on pricing to gain and retain customers. Parts and service, finance and insurance products, and used vehicle sales are all ways dealers can serve customers and drive revenue and profit.
- The whole retail industry is seeing strong performance in fixed operations and finance and insurance leading to positive sentiment among dealers right now.
- Dealers are flexing significant muscle as manufacturers struggle to manage the tariff impact on new vehicles. Dealers have been focused on driving margins from all facets of their business.
- Large groups have an even greater advantage due to the cross-shopping effect whereby consumers can choose other brands or models within a group's platform that are less affected by tariffs.

Dealers Rise, Manufacturers Struggle

KEY STATS

- Dealers expect to see a **4.7% average profit margin** in 2025 – up from 4.1% in 2023, showing they are mastering these methods of increasing margins.
- **61% of dealers** believe they will record robust revenue growth this year, the highest level reported among surveys to date.
- Lithia Motors CEO Bryan DeBoer emphasized Lithia's "diverse and resilient ecosystem," highlighting high-margin adjacencies like financing and aftersales, which now contribute over **60% of net profit**.
- AutoNation CEO Mike Manley noted "strong performance across all business lines," and the retailer's CFO Tom Slosek highlighted growing technician capacity and stable financial penetration. The company expects continued growth in vehicle sales and aftersales.
- Sonic's EchoPark used-car segment hit record profitability, and its powersports division posted strong growth. Fixed operations and F&I now contribute nearly **75% of total gross profit**.
- Group 1 Automotive CEO Daryl Kenningham acknowledged tariff-related inventory tightening but maintained a cautiously optimistic outlook, expecting gross profit per unit (GPUs) to elevate, and aftersales to remain strong.

DCG'S RETAIL TAKEAWAYS

- The retail automotive industry is hitting its stride, leveraging more data and more sophistication to build a diverse ecosystem of services around their customers, leading to greater profitability and less risk during challenging times.
- Dealers must be committed to operating as modern retail businesses capable of driving revenue and margin from all areas of the dealership or they will not be able to effectively compete.
- Any dealer underperforming in fixed operations or F&I should immediately focus on those areas as the primary profit drivers in today's retail business.
- Benchmarking performance against key competitors across critical KPIs will allow any dealer to understand their strengths, weaknesses, and realistic opportunities.

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Retail Auto M&A

Retail M&A is accelerating into the second half of the year as an aging dealer population moves on from a rapidly transforming industry and takes advantage of strong valuations driven by significant available capital that automotive groups and others are looking to deploy to acquire franchise dealerships.

Strength in dealership asset value remains elevated largely due to (simple) supply and demand dynamics occurring within retail automotive. There are many more buyers than sellers looking to acquire (a generally fixed number of) existing dealerships. This demand is being driven by several factors.

- The maturing retail automotive business model (diversified consumer-centric revenue streams) has become quasi-recession proof with dealers learning how to drive revenue and margin in any macro-economic environment. The stability and resiliency of this segment has been magnified this year as manufacturers and suppliers struggle with tariffs while dealers are seeing record revenues and average return on sales eclipsing 4.5%.
- Automotive groups have significant cash on hand from robust profits over the past 5 years and continue to generate strong free cash flow. While public companies have leveraged much of that cash to buy back stock, private companies have looked to grow through acquisitions.
- More outside capital is coming into the industry, backing the expansion of well-established groups or strong existing operators who manufacturers will approve.

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Retail Auto M&A Cont.

The industry continues to lean into *both* highly strategic acquisitions *and* divestures.

- Acquisitions are increasingly being viewed not just as growth opportunities, but as strategic tools to unlock operating synergies and diversify across brands, markets, and geographies. Dealers are leveraging acquisitions to strengthen their competitive positions, reduce risk, and drive greater scale and efficiency across their operations.
- Dealers are also viewing divestitures through a more strategic lens. Even when a dealership is profitable, operators are increasingly evaluating different factors to determine whether the asset is a long-term hold, including:
  - Alignment with the manufacturer's vision.
  - Comfort with the political, regulatory, and economic environment in the region, state, or country.
  - Potential utilization of capital for other strategic uses.
  - Readiness to simply capitalize on a strong return on an investment.

Buyers are placing less of an emphasis on traditional valuation metrics such as trailing years of profit and earnings multiples. Instead, they are taking a more strategic approach considering factors like strength of the brand, quality of the market and potential to enhance performance under their operating structure or philosophy. External factors like population growth, local economic trends, regulatory environment, and overall business climate are playing a larger role in valuation.

ABOUT DAVE CANTIN GROUP

The Dave Cantin Group (DCG) is a leading retail automotive M&A advisory company specializing in acquisitions, divestitures, intelligence, and other advisory services related to the industry. The company is the M&A services provider of choice for North America's top automotive dealership groups, advising on approximately 40 transactions annually. We are differentiated by our advisory approach, long-term lens on client relationships and commitment to market intelligence tools that inform DCG and client strategies. In 2023, DCG became the only retail automotive M&A company with a significant strategic investor, welcoming Kaltroco to the DCG family. **DCG's core services include:**

- **Sell-Side Representation:** Our client-centric approach customizes each sell-side process based on the uniqueness of the opportunity. Our investment banking team of analysts, data specialists and executives work with our managing directors to confidentially maximize value and manage every aspect of the acquisition until its successful close.

- **Buy-Side Representation, Strategic Targeting:** DCG works alongside some of the largest dealership groups in the country, developing growth strategies and key acquisition criteria to proactively target perfectly complimentary stores or groups. Only our clients have access to Jump IQ, our proprietary artificial intelligence software that provides visibility to all 18,000+ dealerships in the U.S.

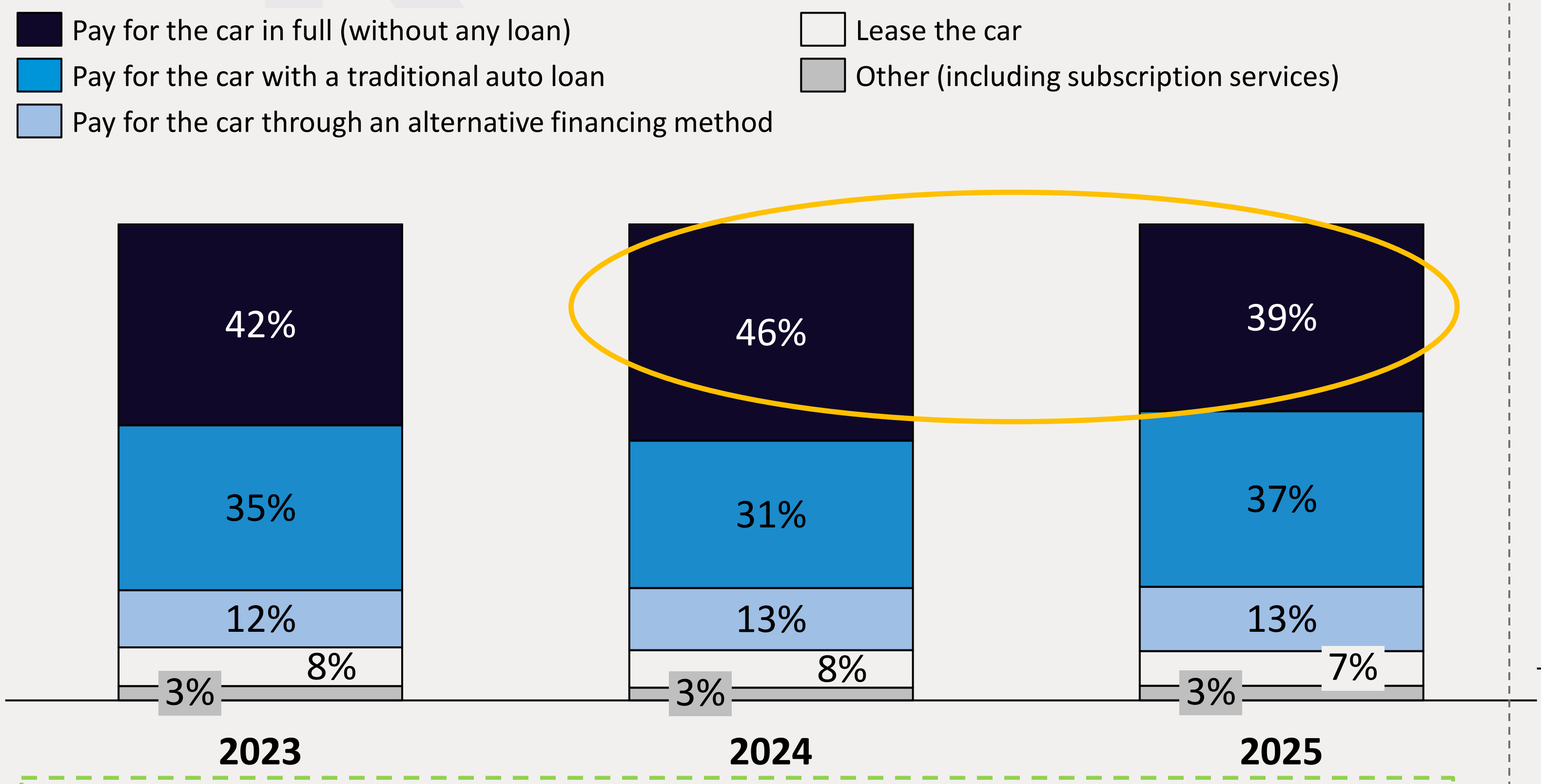
- **Platform Management, Succession Planning:** As the industry's leading M&A advisor, DCG is committed to working with our clients for the long-term, collaborating with principals and executives to develop objectives and strategies for how M&A can support short- and long-term business goals for growth, management, or eventual succession planning.

Buy Outright vs Finance:

Consumers are more likely to take out an auto loan versus last year (or year-end 2023), although the proportion of purchase they intend to finance has held steady.

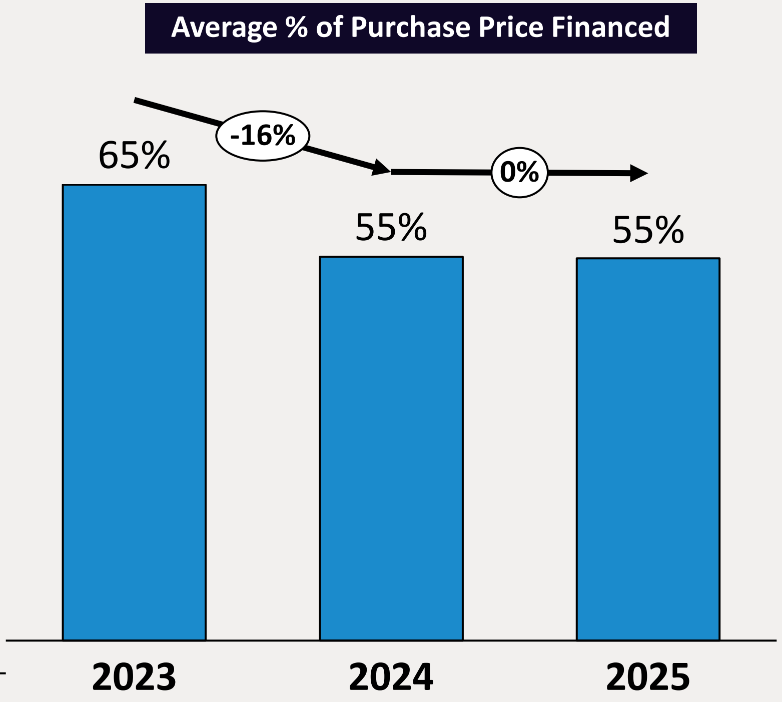
Consumer Financing Plans

Q: When acquiring your next vehicle, which ownership structure are you most likely to choose?



Potential consumers are **7ppts less likely to pay for a car in full** in 2025 versus 2024, even as interest rates have remained high

Q: Which portion of your next car purchase do you expect to pay in cash vs. finance?



Average percent financed holds steady after a **significant decline in 2024**

Source: Kaiser Associates 2025 Midyear Consumer Survey
Note: totals may not add to 100% due to rounding

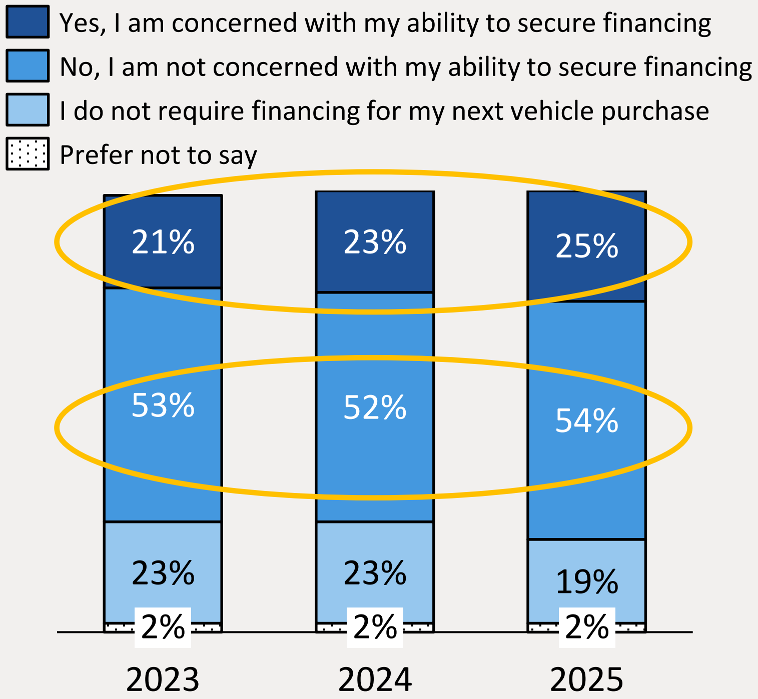
Financing Confidence:

The percentage of consumers who require financing has grown, among both those concerned and those not concerned with ability to secure it. Concerns about the economy have become the top reason to defer vehicle purchases.

Consumers Who Intend to Buy

Financing Confidence

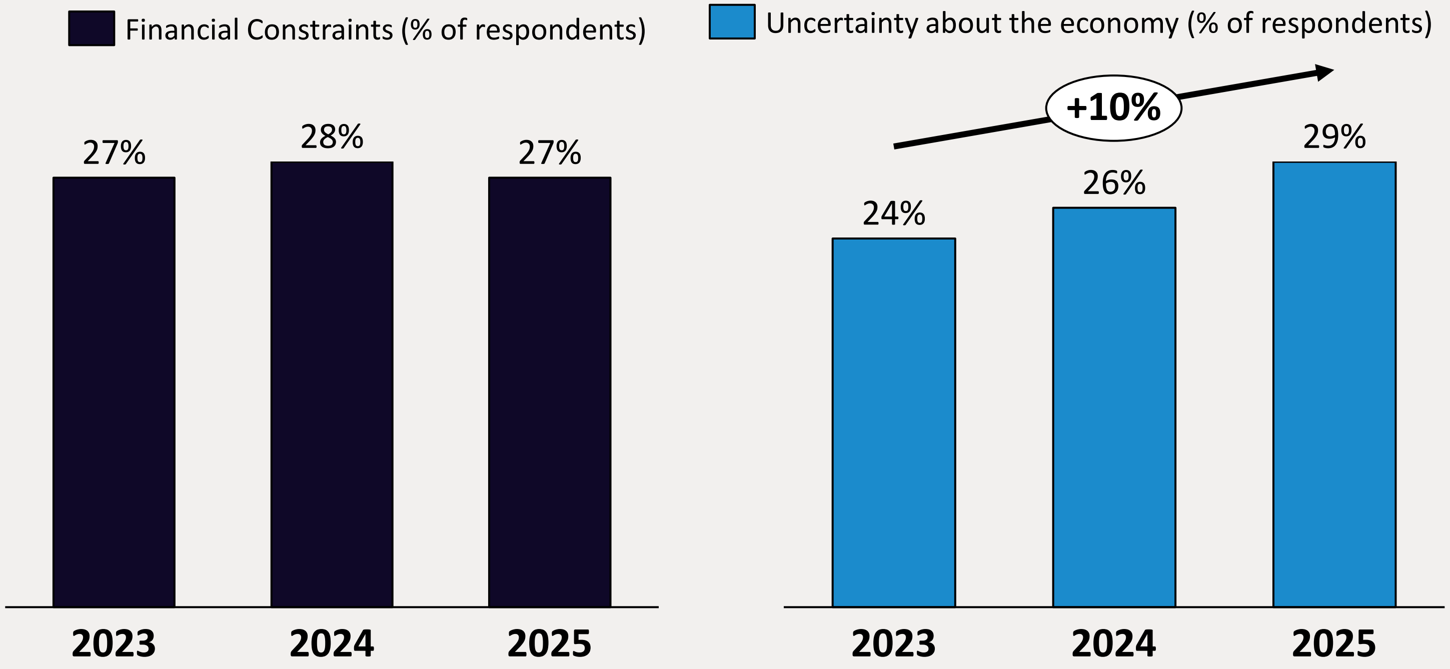
Q: When considering your next car purchase, are you concerned with your ability to secure financing?



Consumers Who Have Chosen NOT to Buy

Reasons to Defer Vehicle Purchase

Q: Which of the following factors contributed to your decision not to purchase a vehicle in the past 18 – 24 months?



Even as **auto loan interest rates have fallen** since peaking in August 2024, **consumers are increasingly concerned about their abilities to secure financing.**

Source: Kaiser Associates 2025 Midyear Consumer Survey
Note: totals may not add to 100% due to rounding

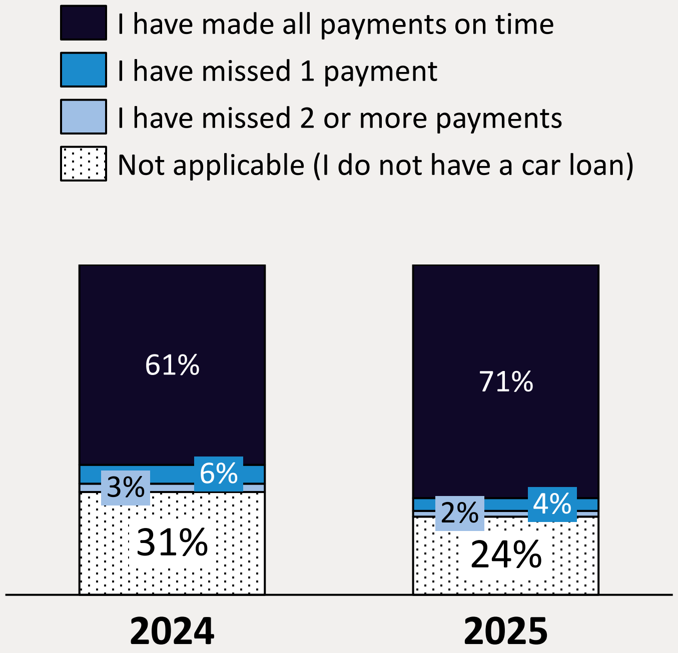
Auto loan payment confidence:

Consumers are taking out more loans and gaining confidence on their ability to make payments. Cost of living remains the most common driver of difficulty for those struggling with loan payments.

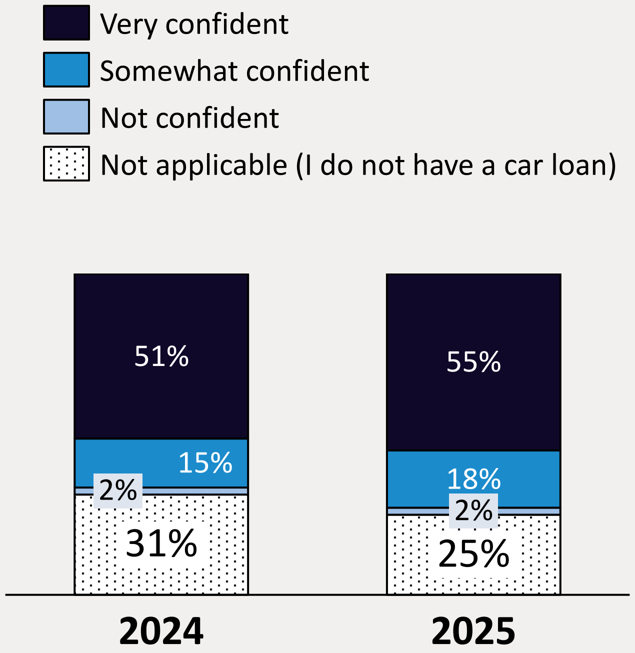
Auto Payment Confidence

All Consumers

Q: How would you describe your auto loan (or lease) payment history over the past 6 months?

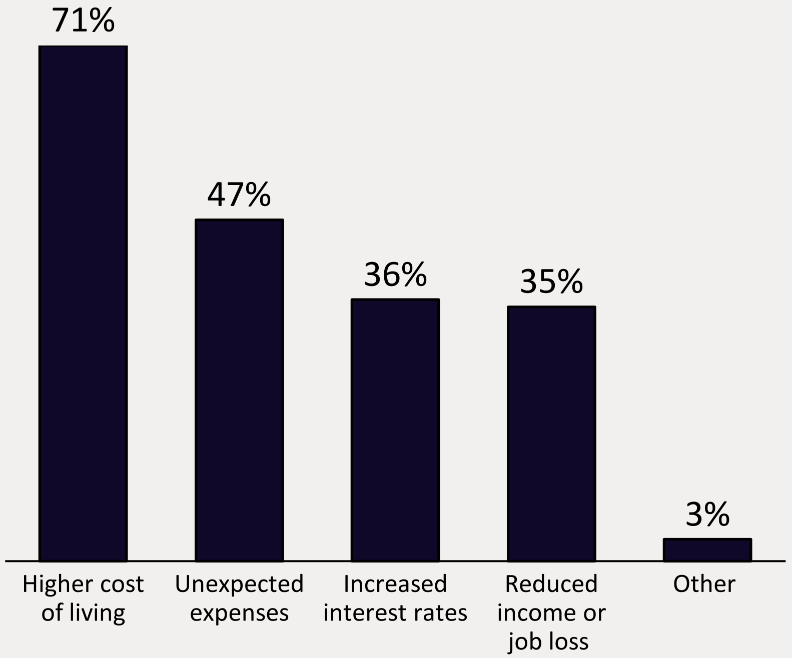


Q: Do you feel confident in your ability to continue making your car loan payments over the next 6 months?



Consumers with Auto Loans

Q: What are the main factors contributing to any difficulty making your car loan payments? (select all that apply)



Consumer confidence in auto loan payment history at odds with delinquency data: Auto loan **delinquencies were up 13.2%** in Q1 2025 versus a year earlier (to 5% of outstanding loans), indicating a potential disconnect between how consumers are feeling and the market reality.

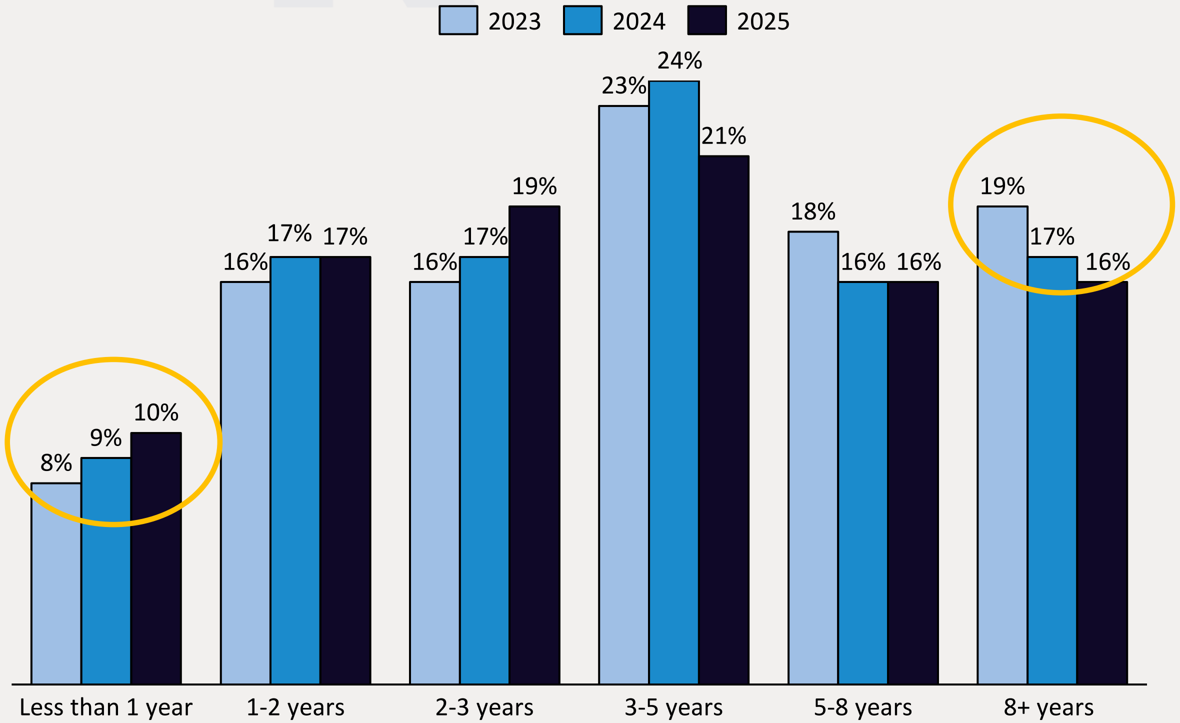
Source: Kaiser Associates 2025 Midyear Consumer Survey, Lending Tree
Note: totals may not add to 100% due to rounding

Consumers are more bullish on car purchases:

Strong growth - over past 2 years - in share of consumers holding cars for less than 3 years who are considering purchasing a vehicle.

Car Ownership Length

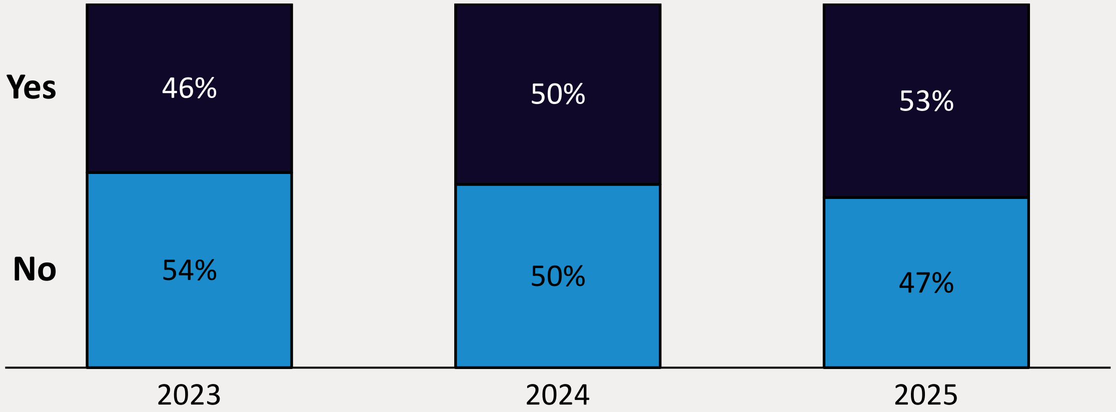
Q: How many years have you owned your current primary vehicle?



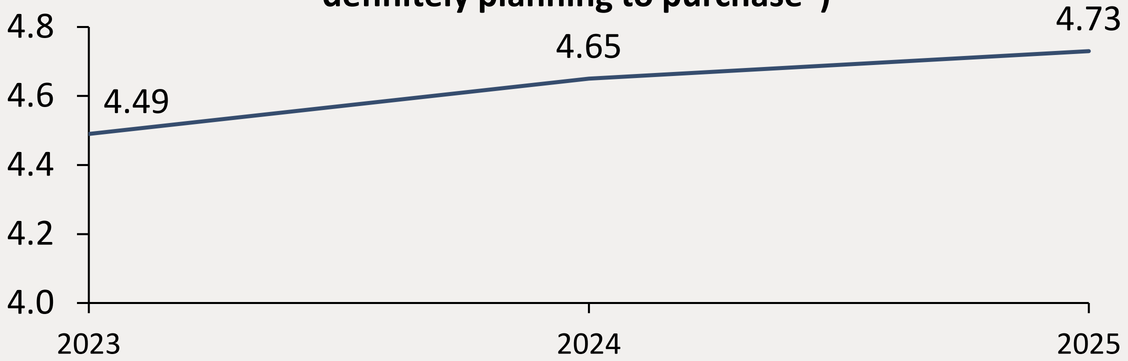
- **Car ownership length decreases for the 2nd year in a row**, with consumers who **acquired their primary car** in the last 3 years **increasing from 42.7% to 46.5%.**
- Consumers who **have considered purchasing a car** in the past 18-24 months **is up 7ppts since 2023**.
- Consumer **interest in purchasing a car** in the next 12 months **has also grown.**

Car Purchasing Interest

Q: Over the past 18-24 months, have you considered purchasing a vehicle?



Q: Considering the next 12 months, what is the likelihood that you will purchase a car (scale 1-10, 1 is "not considering it at all" and 10 is "definitely planning to purchase")

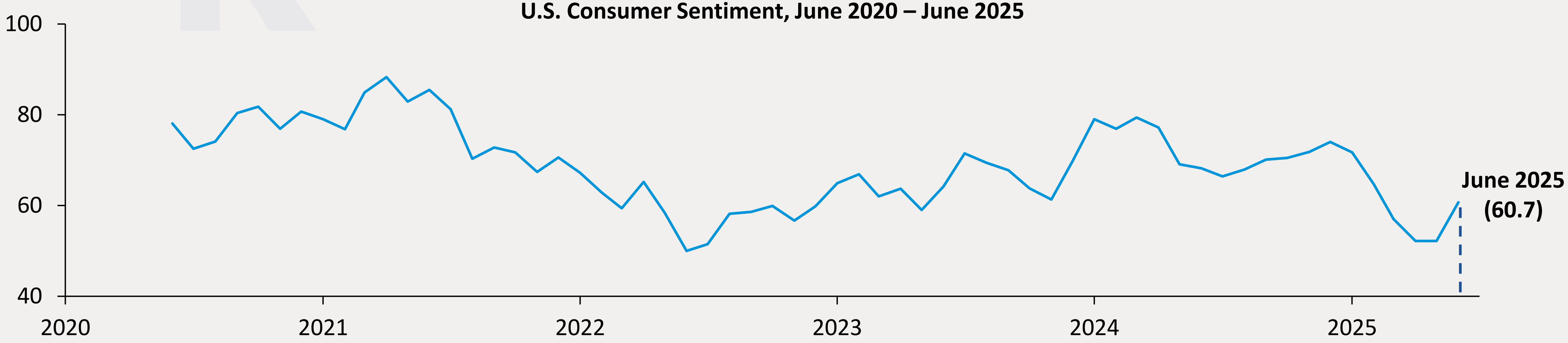


Source: Kaiser Associates 2025 Midyear Consumer Survey

Consumer Sentiment:

U.S. consumer sentiment has failed to recover from the COVID downturn, with 2025 tariff uncertainty driving new declines in sentiment, though June 2025 saw a slight improvement over the previous two months.

Consumer Sentiment (Monthly Data)



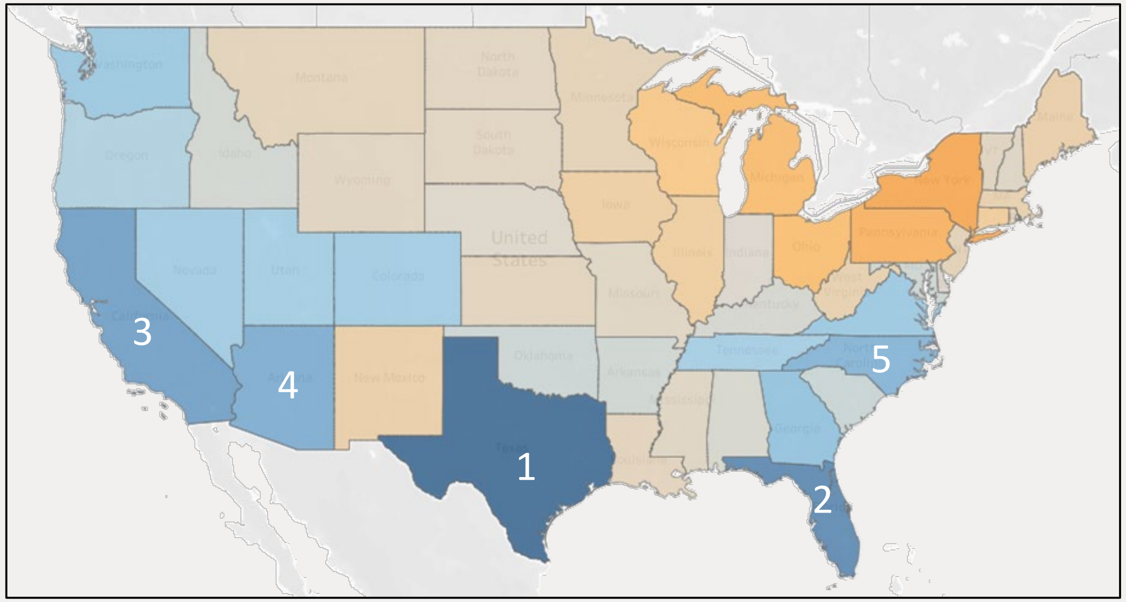
- **June 2025** saw a **16% increase** in consumer sentiment after no change between April and May 2025 and decreases throughout the first quarter. However, sentiment remains **structurally lower** than the historical average since 1978 (83.3).
- **Enduring perceptions of unaffordability** and consumer **expectations for tariff-driven price increases**, may accelerate consumer demand changes towards **smaller and more affordable vehicles.**
- **Tariff reversals** or **automotive carveouts,** combined with **falling interest rates**, could ease consumer concerns about affordability and boost renewed interest in larger or more expensive vehicles.

Source: University of Michigan Surveys of Consumers

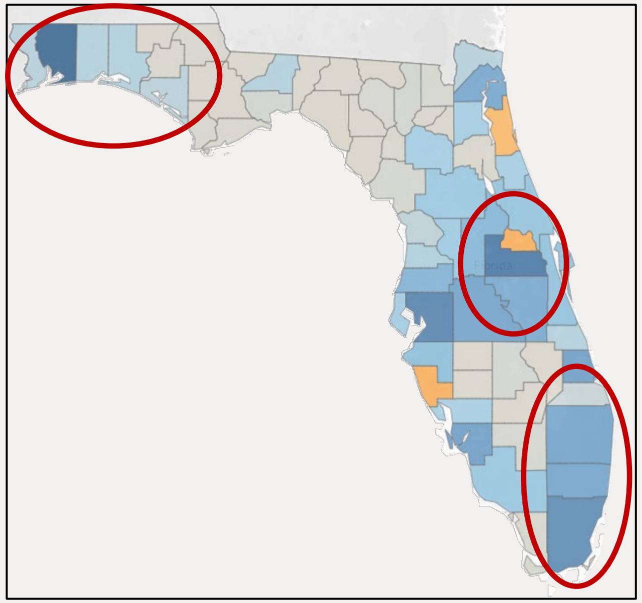
Population Growth:

Texas and Florida are expected to see the greatest growth in car-buying population through 2030, while several states in the Northeast are expected to see a decline in car-buying population.

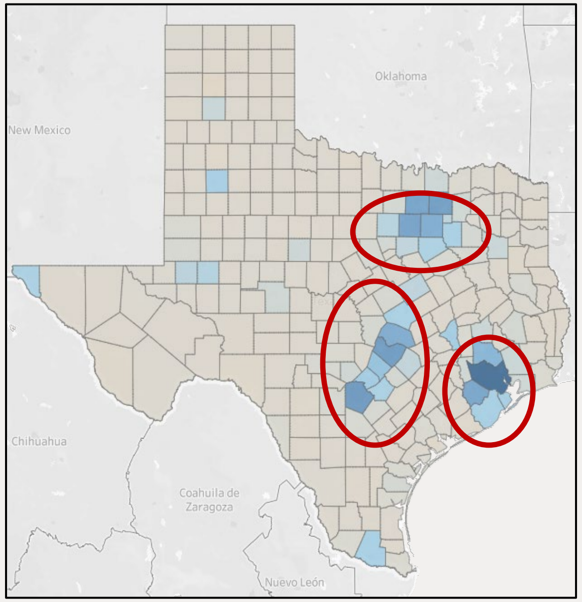
Growth in Car-Buying Age Population by State



Florida: County Level



Texas: County Level



- **Texas** is expected to see **over 2MM more residents of car-buying age** (20+) in 2030 vs 2024, mostly concentrated in major MSAs.
- **Three of the MSAs** with the **greatest expected population growth** through 2028[1] are **in Texas**: **Austin, Houston,** and **Dallas; Orlando MSA**, **Miami MSA**, and **Florida panhandle** are also expected to see significant growth through 2030.
- **Suburban counties** of California (e.g., Riverside, San Bernadino) **expected to grow** while Los Angeles and San Francisco decline.
- Most of Arizona's growth is driven by **Maricopa County**, which is expected to be one of the **fastest-growing counties** (in total population growth) through 2030, alongside **Harris County, Texas**.

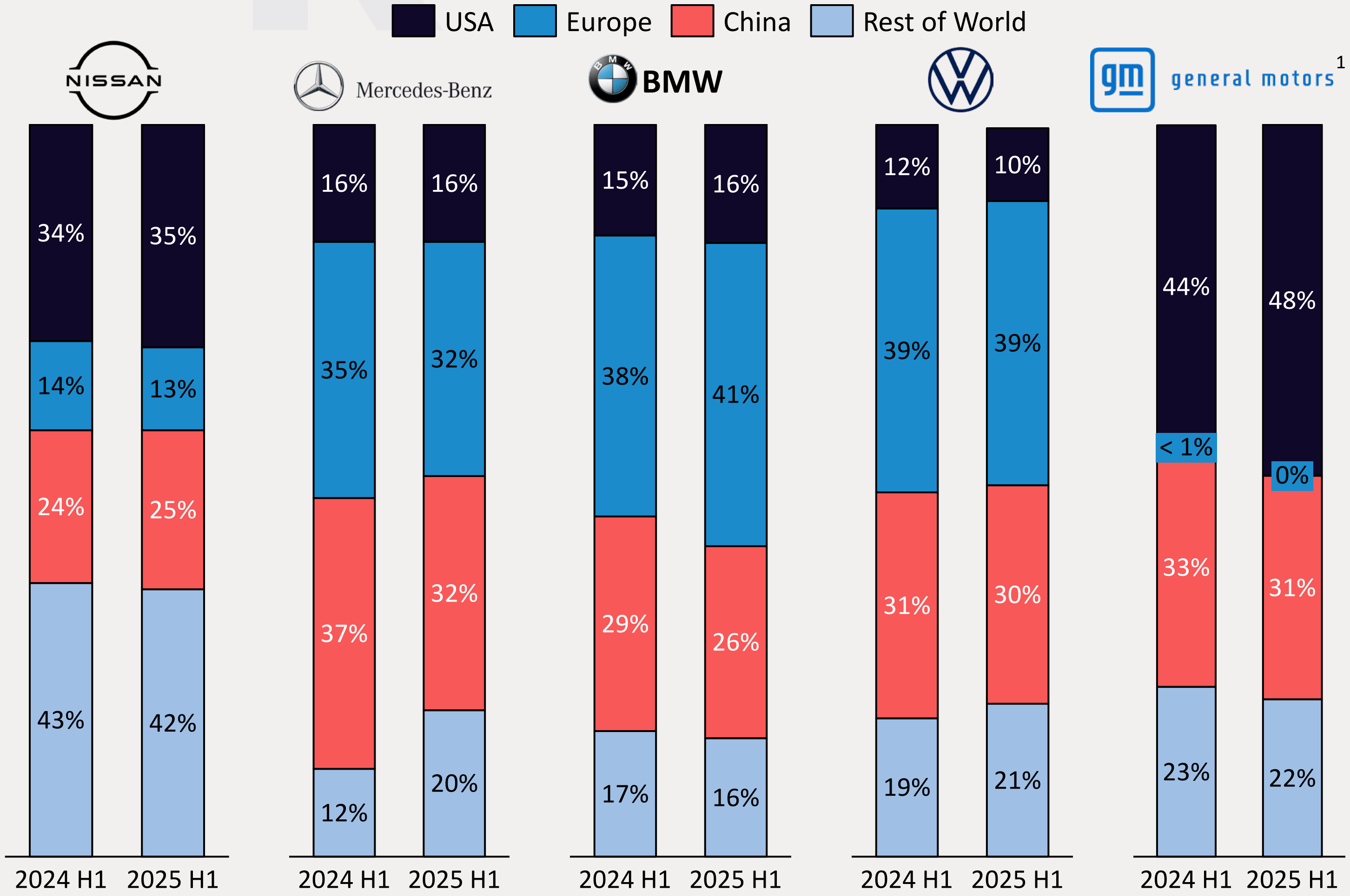
Source: Kaiser review of projections from CDC Wonder, Weldon Cooper Center, and State-level economic development boards; current data based on U.S. Census Bureau estimates
[1] Site Selection Group

Legend: *Pop. decline* — *Pop. growth*

International Developments:

H1 2025 has seen significant upheaval in the international automotive market, driven by U.S. tariffs and weak Chinese demand.

Selected OEM Vehicles Sold by Region YTD (H1) 2024 – 2025



Foreign Developments

- The **Chinese automotive market** is facing significant challenges due to **weaker demand** and **overcapacity from Chinese brands**, driving **significant price-cutting.**
- **Vietnam's VinFast** has continued its expansion in the U.S., with 30 dealerships across 15 states.
- **German carmakers** are trying to **negotiate tariff relief** while struggling with model changeovers and price sensitivity; **Audi** and **Volkswagen suffered** in the U.S. while **BMW** and **Mercedes** achieved **sales growth in U.S.** despite tariff-driven headwinds.
- The merger of **Japanese automakers Honda and Nissan collapsed in February** due to disagreement over entity control and structure. Nissan saw a decline in sales.

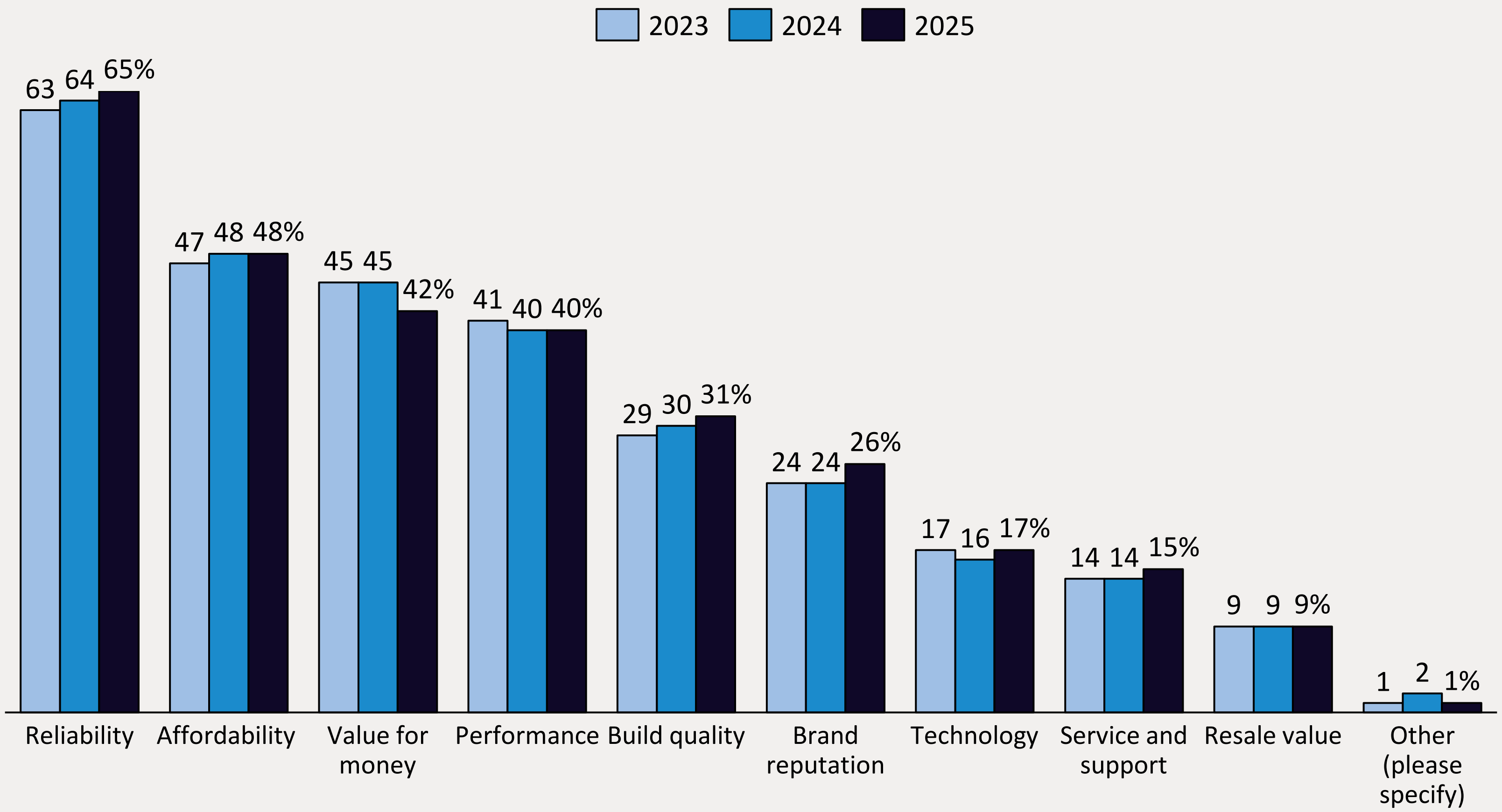
Sources: Kaiser Associates Primary and Secondary Research & Analysis, Manufacturer quarterly filings
Note: totals may not add to 100% due to rounding
[1] GM data by region is only available for the first quarter of 2025, but overall profit declined in second quarter; other manufacturers selected based on availability of data

Key Purchasing Criteria:

For the third year, consumers indicate rising importance of reliability in their vehicle choices, alongside related criteria such as build quality and brand reputation. Meanwhile, consumers appear less focused on value versus last year.

Key purchasing criteria

Q: When selecting a car brand, which are the top 3 most important criteria for you? (Percent of respondents selecting in top 3)



- Consumer views of **top 3 KPC** have remained **stable** from 2023 to 2025.
- **Reliability** remains the only factor cited by over half of consumers as a top 3 KPC and has shown **steady growth in importance** year-to-year.
- **Brand reputation** saw a ~2ppt increase from 2024 to 2025, the largest increase out of all KPC surveyed.
- **Value for money** saw a 3ppt **decline** from 2024 to 2025 even as **affordability** remained constant.

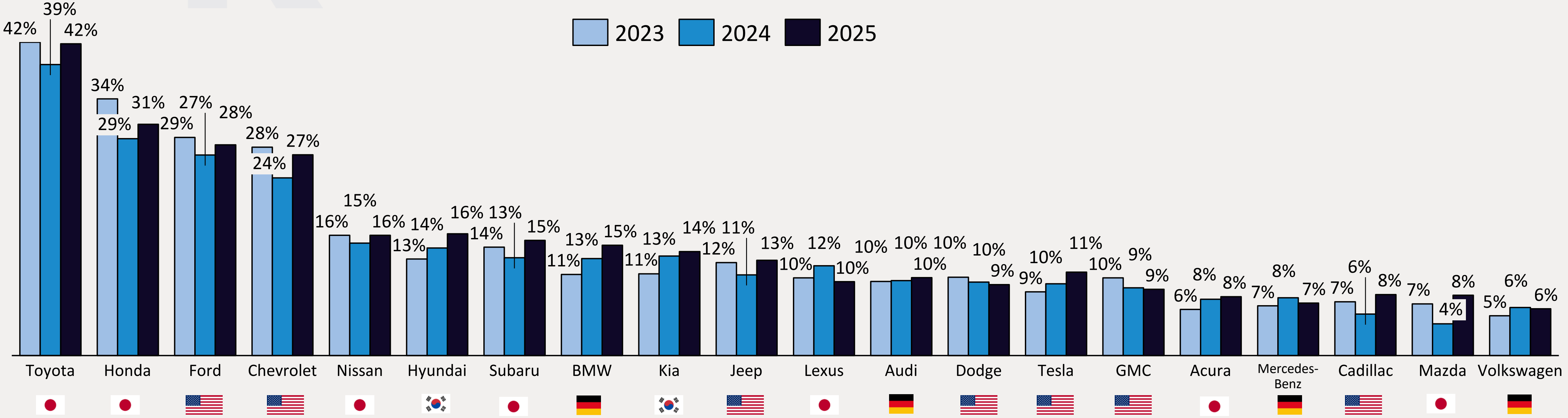
Source: Kaiser Associates 2025 Midyear Consumer Survey
Note: Consumers selected multiple responses and will not sum to 100

View on OEMs:

Consumer interest in Korean brands continues to grow, while top Japanese and Domestic automakers saw interest levels return to 2023 levels after 2024 decline (indicating a return of the importance of brand reputation).

OEM Preferences

Q: When considering your next car purchase, which brand(s) are you most likely to consider? (Select up to 5 options)



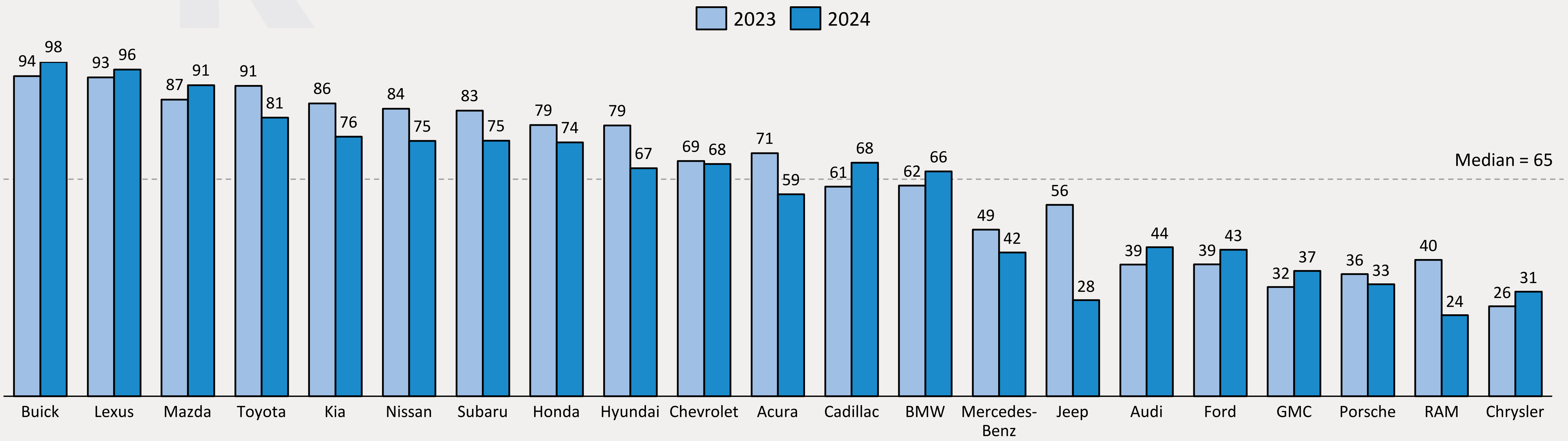
- Consumers expressed **slightly greater interest in top U.S. brands** (Ford, Chevrolet), potentially indicating increasing domestic bias.
- For another consecutive year, **consumers expressed an increasing interest in South Korean brands**, while top **Japanese and domestic brands remained most desirable** (returning toward 2023 levels).
- **Interest in German brands** (excluding BMW) has **remained relatively unchanged** from 2023 through 2025, even as consumers have expressed interested in a higher number of brands on average.

Source: Kaiser Associates 2025 Midyear Consumer Survey

OEM Performance:

DCG's Vehicle Quality and Pricing Index showed the top-performing brands doing even better in 2024 vs 2023, while lower-performing brands, especially CDJR, saw further declines.

Index Performance



- DCG's Vehicle Quality and Pricing Index compares vehicle reliability and affordability to find the most affordable, quality vehicles.
- Between 2023 and 2024, **domestic brands saw a divergence** as most improved (Buick, Ford, Cadillac) while CDJR suffered.
- **Truck companies** were **hit by affordability factor**, with price increases that outpaced the overall vehicle market.
- **Buick's** strength appears to have translated to improved sales performance in H1 2025, with **sales up ~29% YTD.**

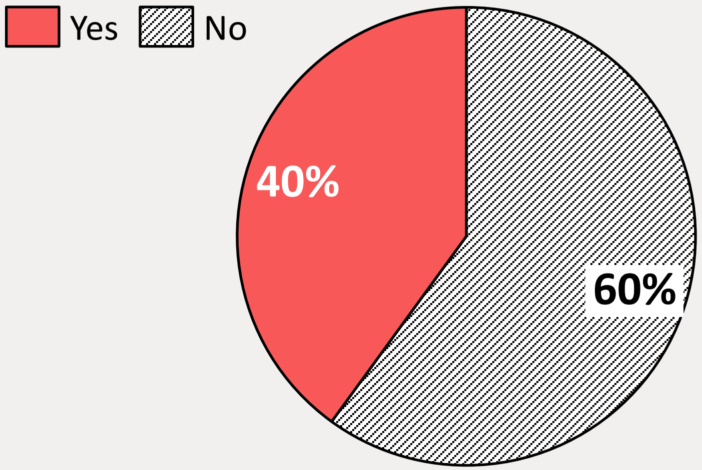
Source: DCG Vehicle Quality and Pricing Index

Perceptions of Chinese Cars:

U.S. consumers signal willingness to purchase Chinese-manufactured vehicles with those who are open to the idea requiring a discounted price of only ~10% less than established vehicle brands from other countries.

Consumer Views on Chinese Cars

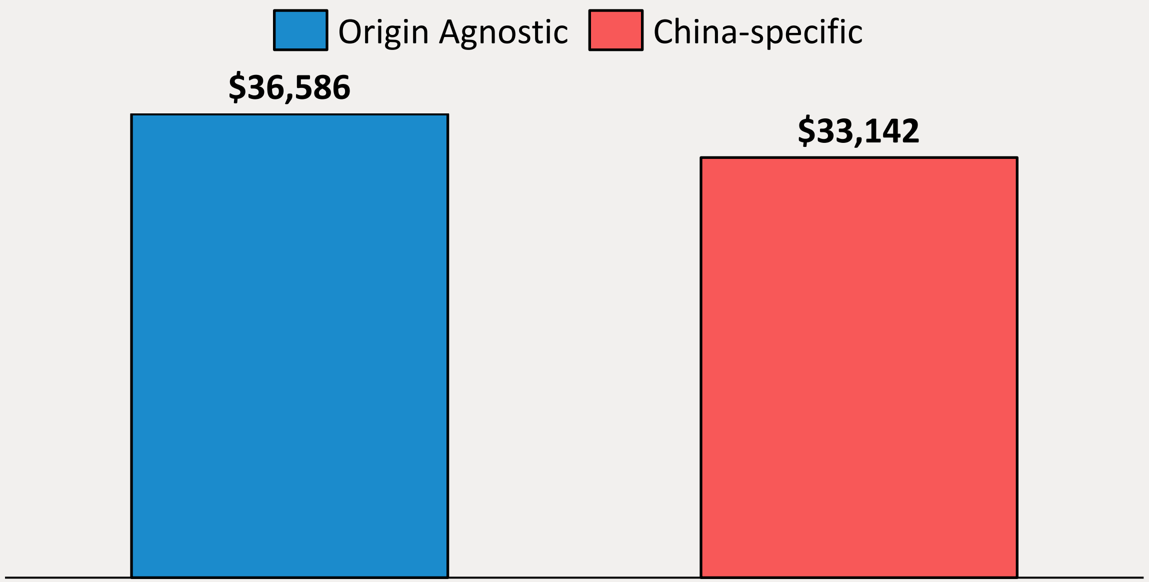
Q: Would you consider purchasing a car that was manufactured in China?



- **4 in 10** U.S. consumers would consider purchasing a car made in China.
- Most commonly cited **open response** reasons to **not** purchase a car from China were **concerns about quality** (38.8%), **dislike of China** (29.9%), and **preference for 'Made in U.S.A.'** (19.4%)[1].

Willingness-to-Pay

Average Willingness-to-Pay (Manufacturing Location)



Q: How much do you plan to spend on your next vehicle?

1st Quartile	$23,333
Median	$34,675
3rd Quartile	$48,484

Q: At what price points would you consider purchasing a car that was manufactured in China?

1st Quartile	$20,108
Median	$30,295
3rd Quartile	$42,646

Source: Kaiser Associates 2025 Midyear Consumer Survey

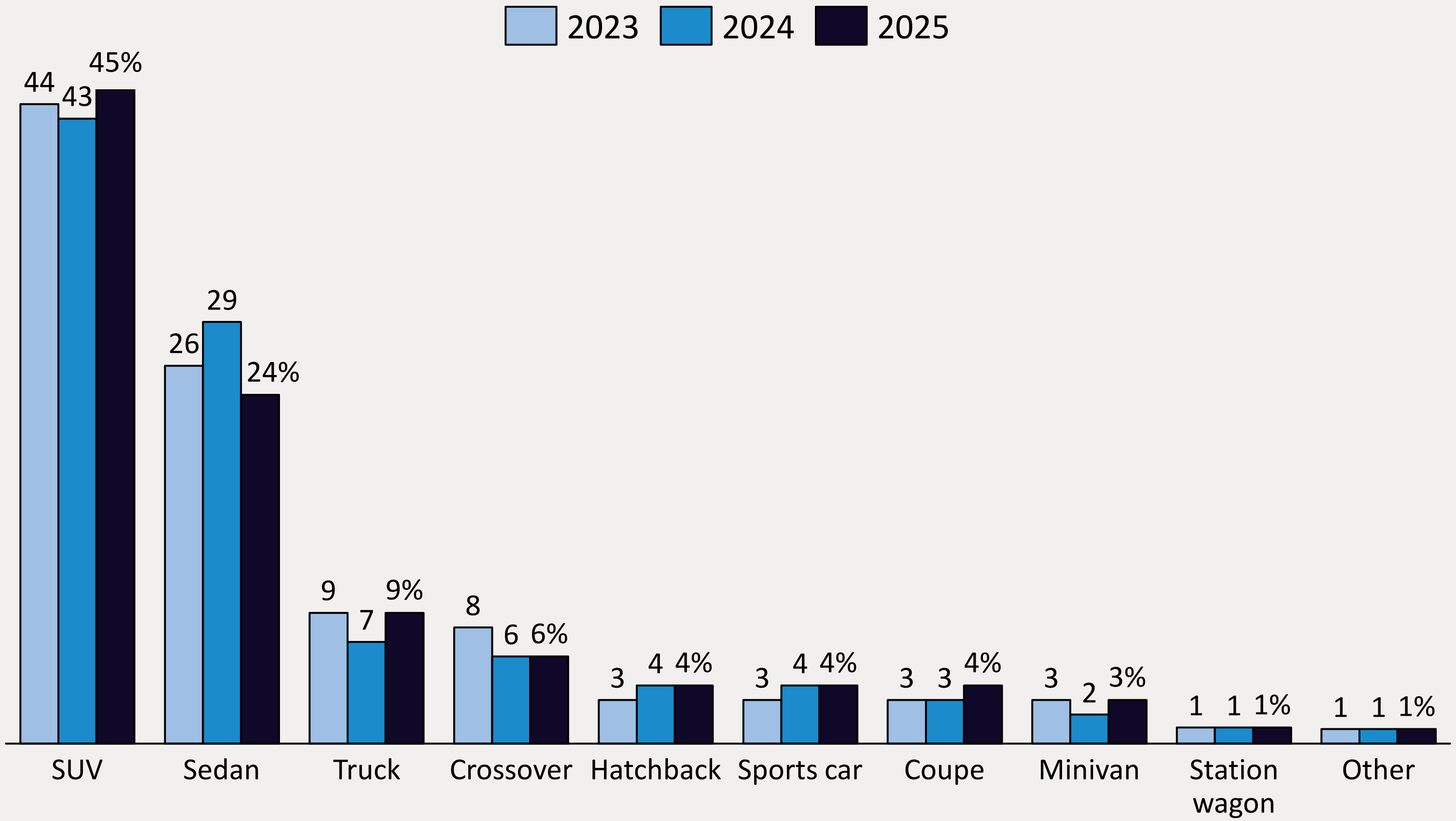
[1] Some respondents provided multiple reasons, not all responses listed here

Are consumers shifting toward small SUVs?

Consumer interest in trucks and SUVs increased back to or above 2023 levels at the expense of sedans, though attention from both consumers and OEMs is increasingly geared toward compact and subcompact models.

Body Style Preferences

Q: When considering your next car purchase, which vehicle body style are you most likely to choose? Please select only one.



- After gaining 3ppts in 2024, **interest in sedans fell 5ppts** to **below 2023 levels.**
  - A majority of this **decrease was captured by trucks and SUVs**, which **increased 2ppts each.**
  - **30% of consumers** state interest in **compact SUVs** has **increased** in the past 6 months, indicating that consumers may be **opting for smaller compact styles** rather than moving away from SUVs entirely.
- **Over half** of **announced new vehicle releases 2025 – 2027** are **sedans** or **compact/subcompact SUVs.**
- **Failure of Tesla's Cybertruck** provides an interesting example: **down 51%** in Q2 versus 2024 compared to a 14% increase in sales for the compact Tesla Model 3[1].

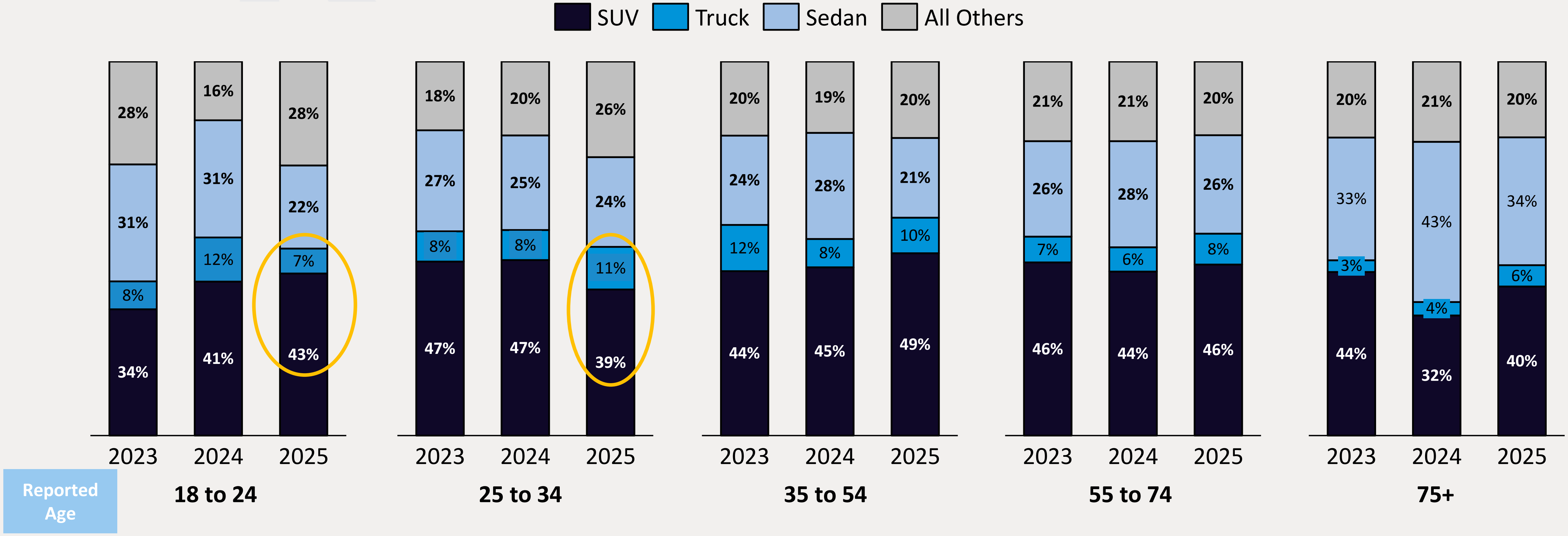
Source: Kaiser Associates 2025 Midyear Consumer Survey
Note: totals may not add to 100% due to rounding
[1]Cox Automotive and Kelley Blue Book

Younger consumers still shying away from SUVs:

Price-sensitive younger consumers are showing a decreasing propensity to buy trucks and SUVs, even as older age groups show a slight increase versus year-end 2024.

Body Style Preferences (by age)

Q: When considering your next car purchase, which vehicle body style are you most likely to choose? Please select only one.

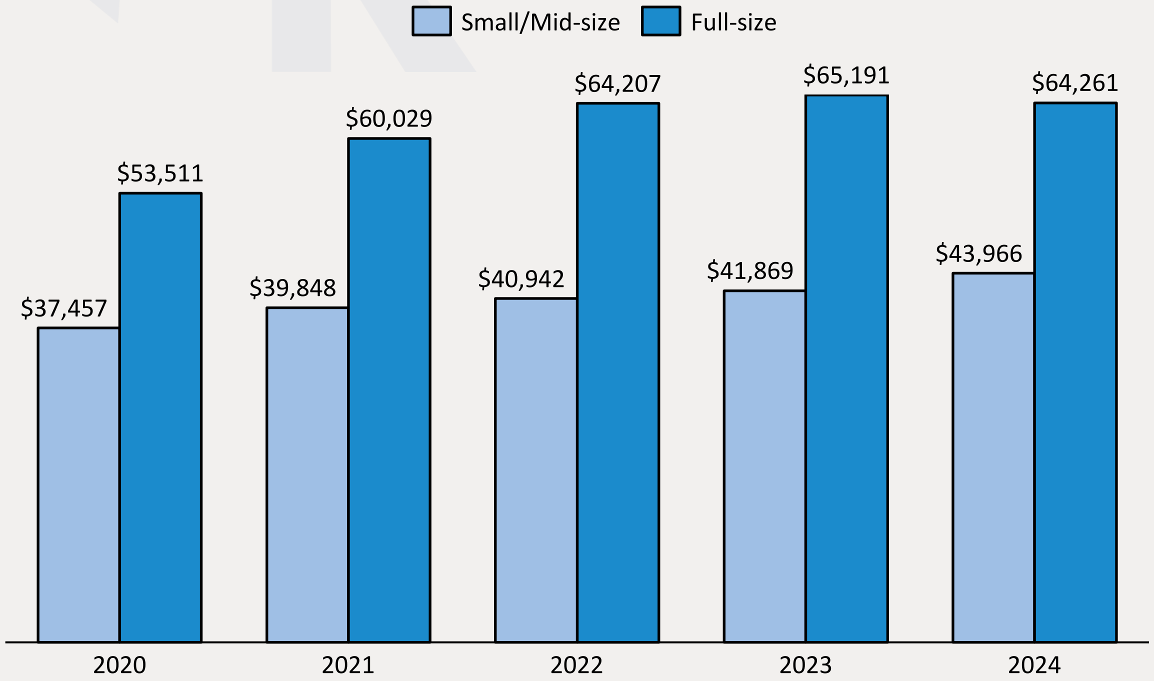


Source: Kaiser Associates 2025 Midyear Consumer Survey
Note: totals may not add to 100% due to rounding

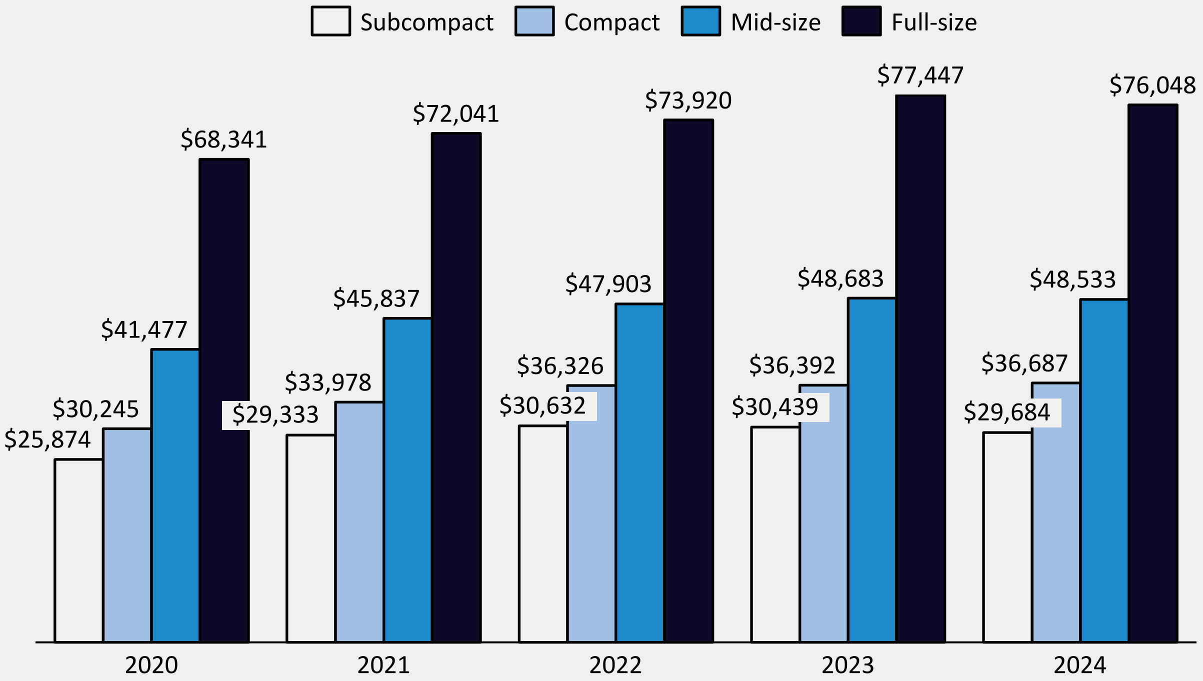
Sales Price Growth:

Average new-car sales prices across body styles have seen significant price growth since 2020, with full-size truck prices growing by ~$10K (4.68% YoY).

Average Truck Sales Price, 2020-2024



Average SUV Sales Price, 2020-2024



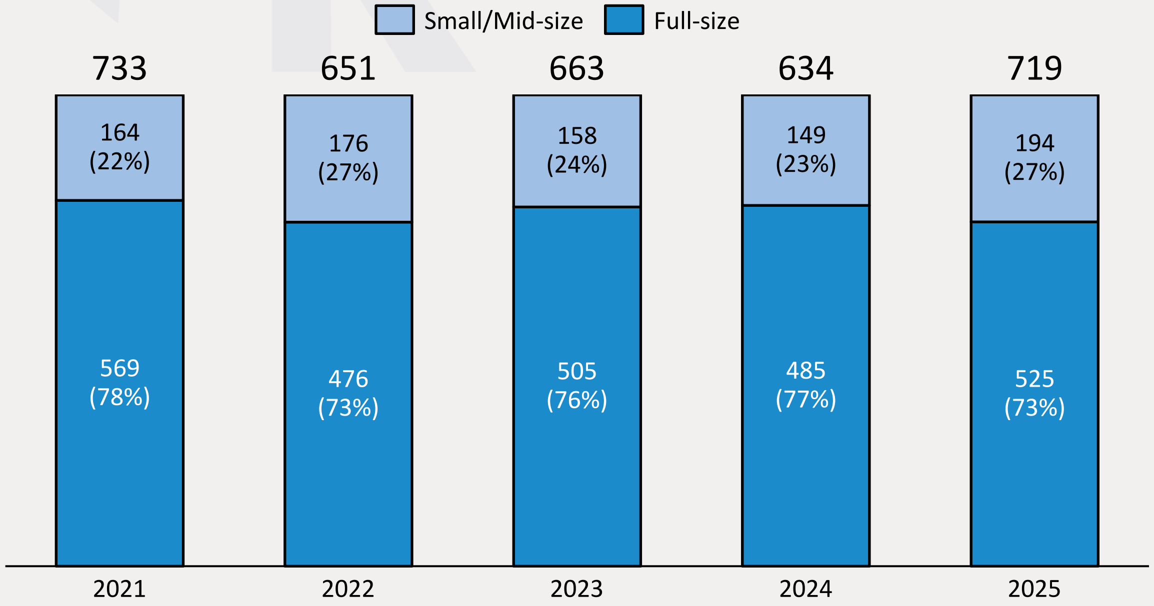
- **Full-size trucks** saw the largest dollar price growth from 2020 to 2024, increasing by, on average, $10,002, while **subcompact SUVs** saw the lowest dollar price growth, increasing by, on average, $3,810.
- **Full-size SUVs** had the lowest YoY percent price growth (2.71%), **while compact SUVs** had the highest (4.95%), and **full-size trucks,** the second highest (4.68%).

Source: Kelley Blue Book Sales Price Data

Body Style Sales Volume:

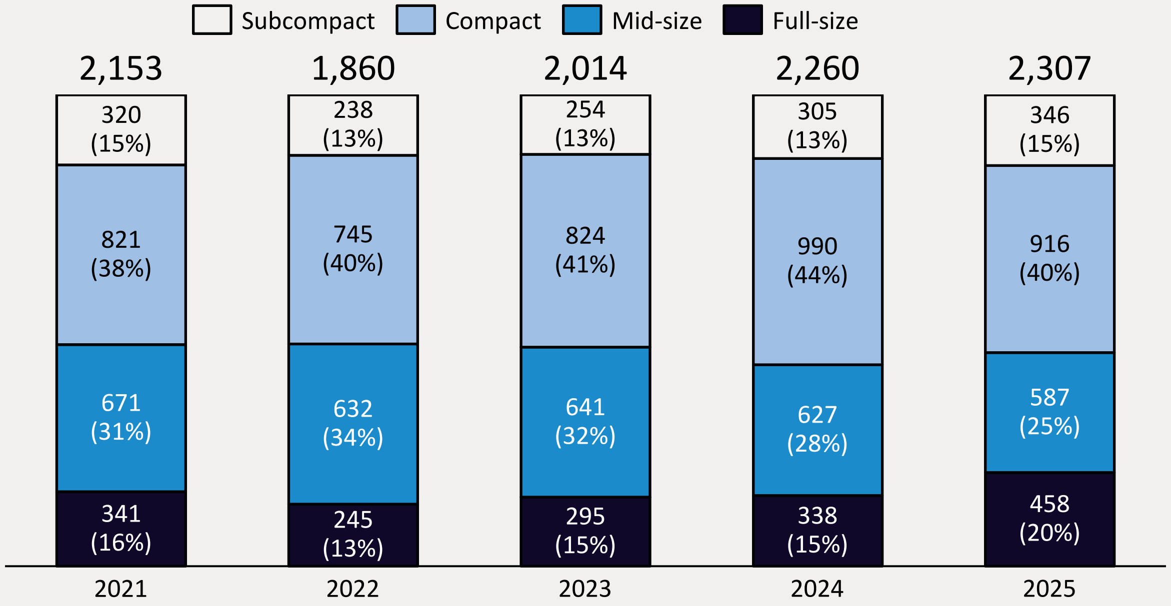
Q1 truck sales indicate shifting consumer preferences away from full-size towards small/mid-size pickup trucks.

Q1 Sales Volume by Pickup Truck Segment, 2021-2025 (thousands)



- Q1 **sales of full-size pickup trucks has fallen ~8%** from a high of 568,738 in 2021 to 525,138 in 2025, while **small/mid-size pickup trucks sales volume has increased ~4% YoY** during that period (from 164,020 to 193,638)
- **High prices combined with high interest rates** may be driving U.S. consumers towards less expensive small/mid-size trucks (such as the Ford Maverick and Toyota Tacoma).

Q1 Sales Volume by SUV Segment, 2021-2025 (thousands)



- **Full-size SUV sales** represented 20% of the market in Q1 2025, an **increase of 4 ppt from Q1 2020.**
- **All SUV body styles**, excluding mid-size, **saw growth in absolute number of sales.**
- **Compact SUV sales market share grew slightly**, from 38% in Q1 2020 to 40% in Q1 2025.

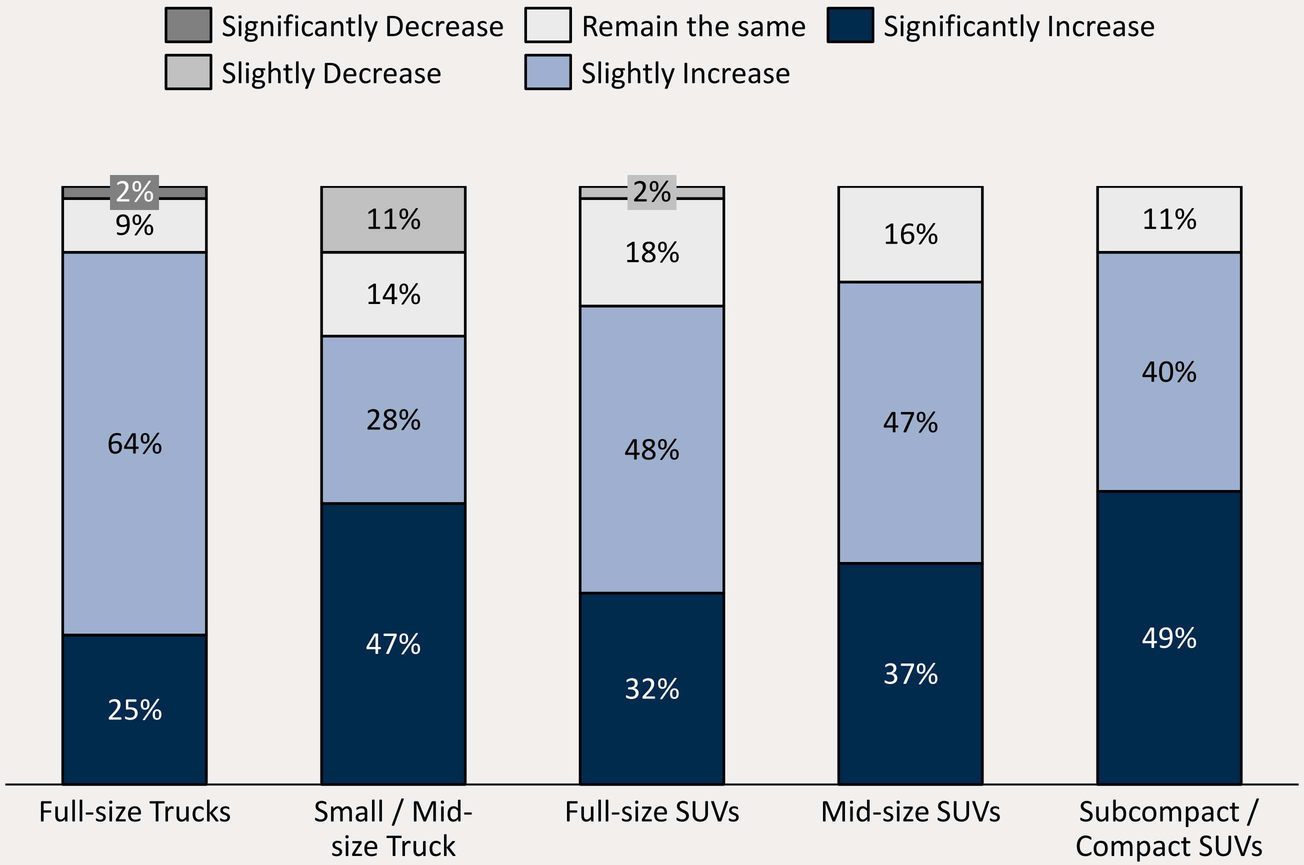
Source: Good Car Bad Car Automotive Sales Data

Body-Style Expectations:

Dealers expect sales to increase across all SUV and truck body styles but have an especially bullish outlook on compact and subcompact SUVs.

Dealer Perspective on Future-Looking Sales

Q: How do you expect the rate of purchases of the following body styles to change through the end of 2025?



- Dealers are **generally confident** about sales prospects for SUVs and trucks: over **80% of dealers expect volume growth** across all body styles, even given tariff-driven uncertainty.
- Dealers are **more confident about smaller body styles** than full-size SUVs and trucks, in **alignment with consumer sentiment** and sales data pointing toward smaller, more affordable vehicles.
- **Full-size trucks** are the only category where any dealers expect a **significant decrease** in sales through the end of 2025.
- **Midsize dealers are especially bullish** on compact SUVs. **71%** of surveyed dealers with **$25 - $49MM** and **56%** of dealers with between **$50 - $149MM** in revenue expect sales to significantly increase.

Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: totals may not add to 100% due to rounding

Post-tariff Investments:

Automakers have announced more than $10B in investments in U.S. manufacturing following the introduction of new tariffs in January 2025.

Manufacturer	Date Announced	Location(s)	Investment Dollar Value	Status and Investment Context
STELLANTIS	January 2025	IL, MI, OH	$5B	**In Progress:** Stellantis will reopen its Belvidere, IL, plant, which has been dormant since Feb. 23, to produce a new mid-size pickup truck and the next-gen Durango.
TOYOTA	February 2025	NC	$88M	**In Progress:** Toyota is investing in assembly of its next generation of hybrid transaxles at its West Virigina plant and in its paint facility in Kentucky.
HONDA	February 2025	OH	$300M	**Announced:** Honda plans to increase its investment in three manufacturing plants in Ohio from a previously announced $700M to $1B.
TESLA	March 2025	CA, TX	Undisclosed	**In Progress:** Tesla plans to double electric-vehicle production in the United States within two years.
BMW	April 2025	SC	>$1.7B	**Announced:** Investments are focused on electric vehicles, with $1B being spent on electric vehicle assembly and another $700M on battery assembly.
Mercedes-Benz	May 2025	AL, GA	Undisclosed	**Announced:** Mercedes-Benz is beginning production of a “core-segment” vehicle at its Alabama plant; additionally moving its NA headquarters to Georgia.
Volkswagen	May 2025	Undisclosed	Undisclosed	**Announced**: Part of Volkswagen’s push to eliminate ‘reciprocal tariffs’ placed on German automakers; Details are currently limited, and investment is “uncertain”.
General Motors	June 2025	TN, KS, MI	$4B	**In progress:** GM’s $4B investment over two years will be spread across plants in three states and involve production of its GMC, Chevrolet, and Cadillac brands.

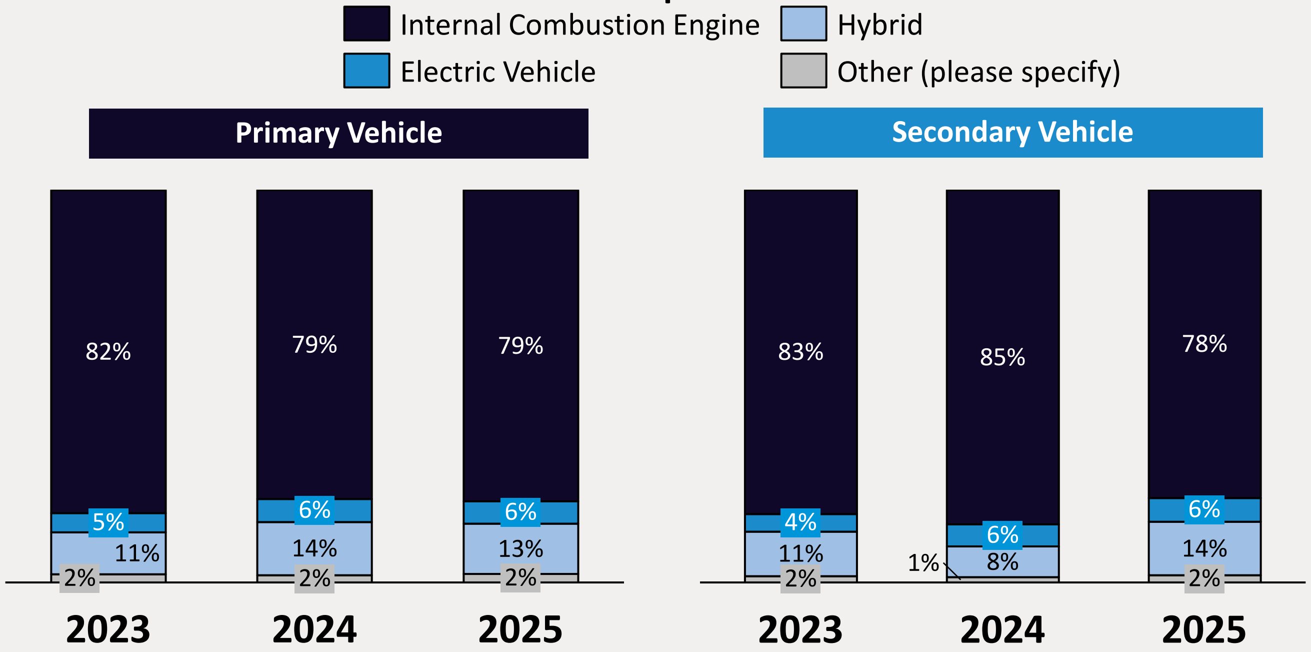
Source: Automaker press releases

EV Ownership:

Primary vehicle type holds steady from last year, even as secondary vehicles see 6ppt hybrid growth; Cost and environmental concerns drive changing interest in EVs.

EV Ownership

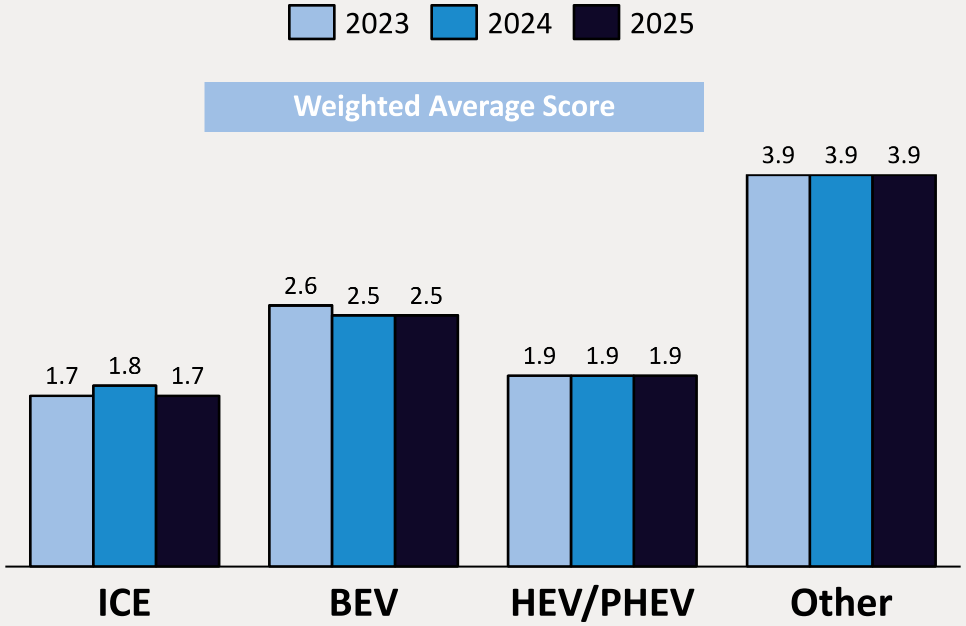
Q: Is your primary vehicle currently Electric, Hybrid, or Internal Combustion (gas) powered? If you have a secondary vehicle, is it Electric, Hybrid, or Internal Combustion powered?



Cost (57%) and **environmental concerns (47%)** were the two most commonly cited reasons why consumers' interest in electrical vehicles has changed over time. **Politics (20%)** was the **least commonly selected of the reasons listed**, even as consumers noted the **impact of politics on their interest in Tesla**, the largest EV manufacturer in the U.S. by far.

EV Interest

Q: Considering your next car purchase, please rank each of the following vehicle types in order of your level of interest (1 – 4 scale where 1 is first choice)



35% of consumers are **significantly less likely to purchase a Tesla** relative to another brand (vs. 20% who are significantly more likely). Consumers listed **actions taken by Elon Musk (48%)** and the **political environment (43%)** as the most common reasons **why their interest in Tesla changed over-time.**

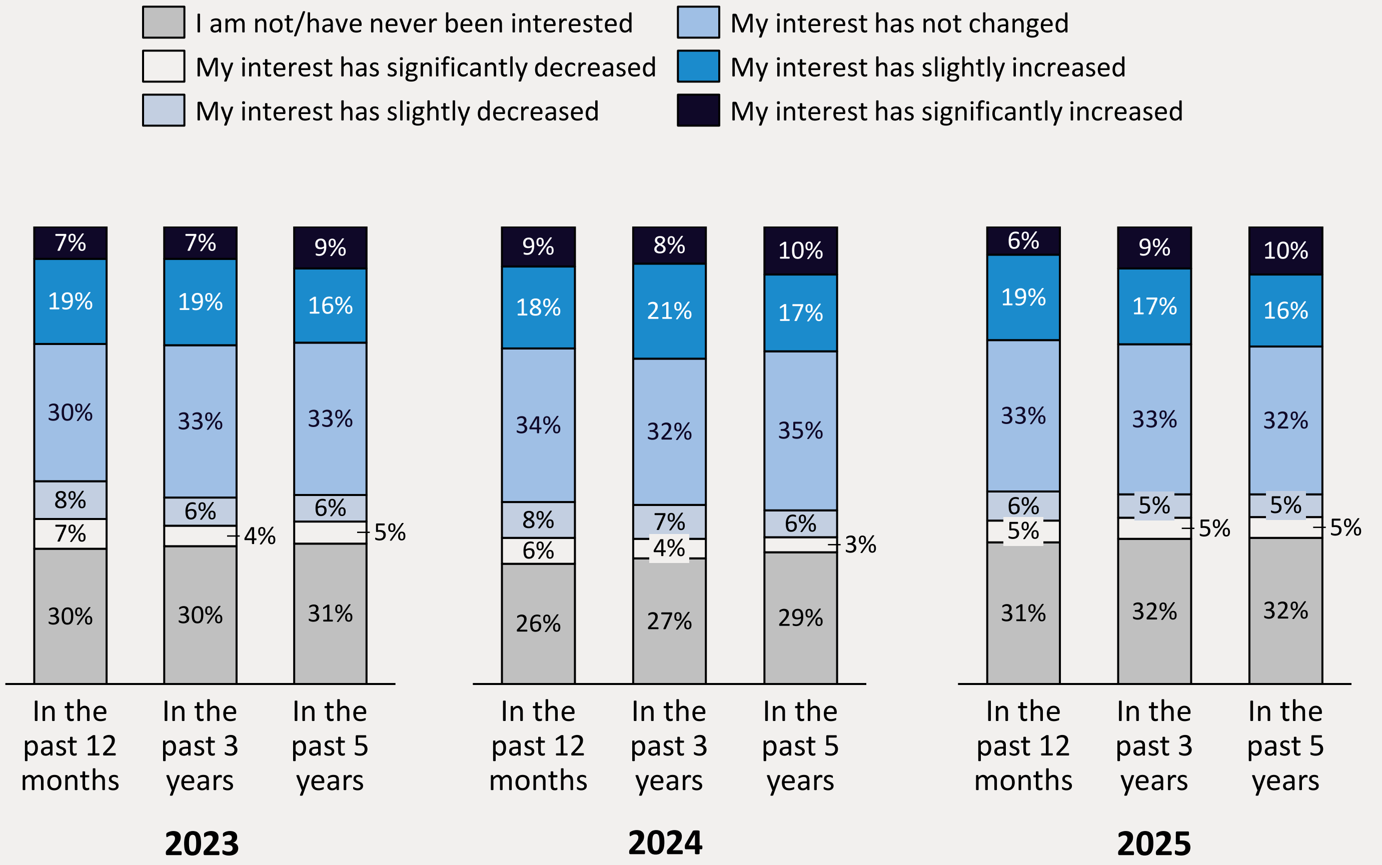
Source: Kaiser Associates 2025 Midyear Consumer Survey
Note: totals may not add to 100% due to rounding

Change in EV Interest:

EV interest appears to have normalized, as consumers report mostly stable levels of EV interest compared to last year, with only 6% reporting increased interest in the past 12 months.

Change in EV Interest

Q: How would you describe whether your interest in purchasing an electric vehicle has changed over the following timeframes?



- The percentage of customers with interest in EVs has **remained relatively stable** over all timeframes measured, indicating a **normalization in demand** since 2023.
- Further, **the majority** (~64%) of consumers surveyed in 2025 **are not interested or have not seen a change in EV interest** in the past 5 years.
- Since 2023, there has been **no change** in the **average ranking of EVs** relative to ICE or Hybrid vehicles in terms of interest.
- The percentage of customers whose interest in EVs has **increased in the past 5 years remained steady** from 2024 to 2025, while the **percent whose interest increased** in the past twelve months **declined by 2pts** (27% to 25%).

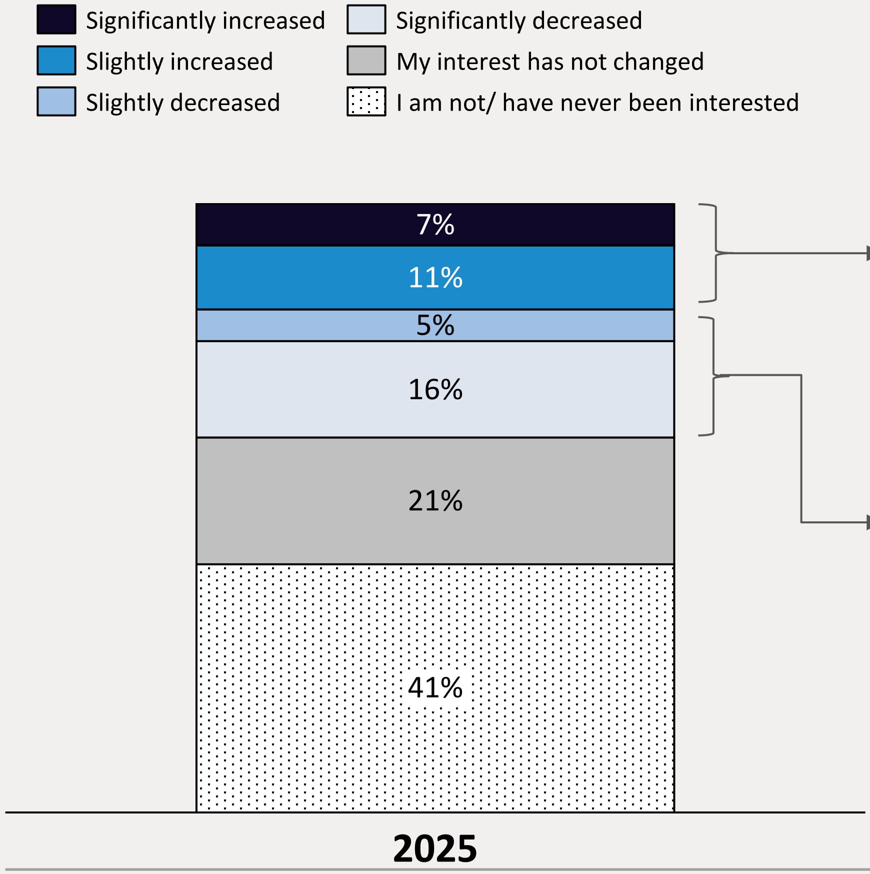
Source: Kaiser Associates 2025 Midyear Consumer Survey
Note: totals may not add to 100% due to rounding

The Elon Musk Effect:

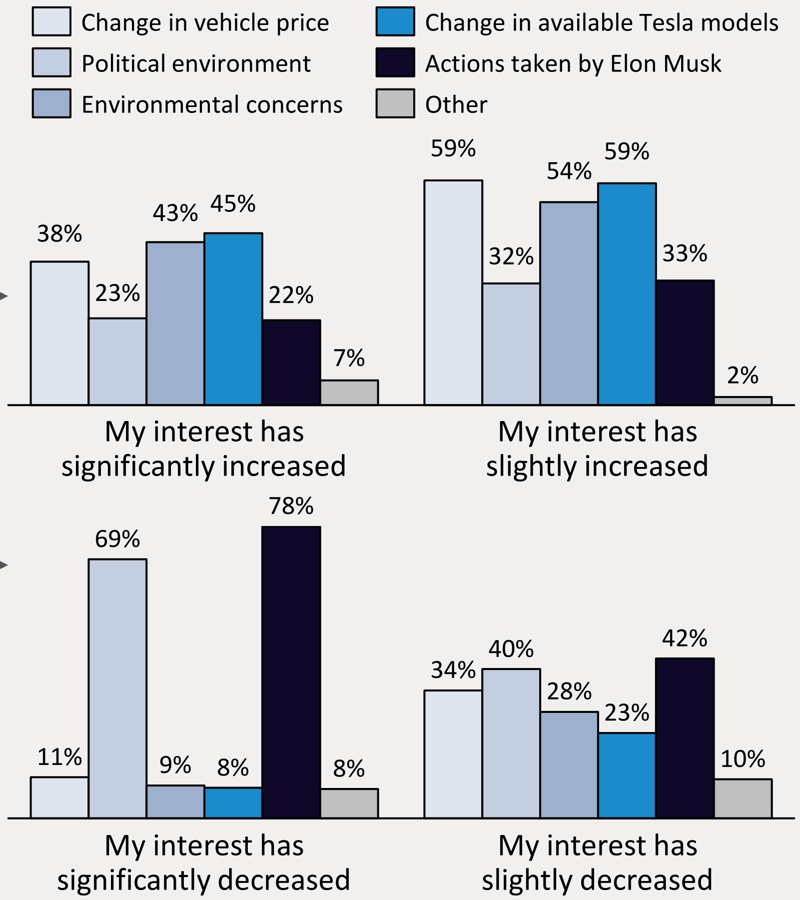
Elon's political antics have driven some consumers away from Tesla, even as new model availability (e.g., Cyber Truck) brought in additional ones.

Change in Tesla Interest

Q: How would you describe whether your interest in purchasing a Tesla electric vehicle has changed in the past 6 months?



Q: What has caused your interest in purchasing a Tesla to change over time (select all that apply)?



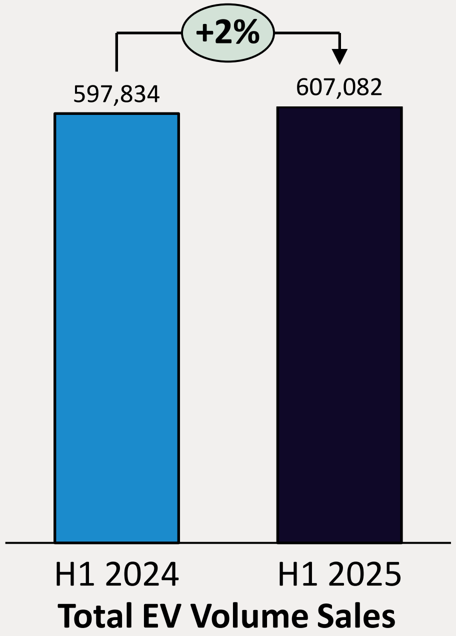
- **93% of consumers** who stated their **interest had significantly decreased** in the past 6 months cited the '**political environment**' or '**actions taken by Elon Musk**' as a reason why.
- Tesla sales volume **dropped 14% in Q2** relative to 2024, indicating a **serious negative impact** on Tesla's top line **deriving from Elon's political activity.**
- It remains to be seen **whether Elon's recent exit from DOGE** will allow for a **reversal of fortunes for Tesla** through the end of 2025.

Source: Kaiser Associates 2025 Midyear Consumer Survey, CNBC
Note: totals may not add to 100% due to rounding

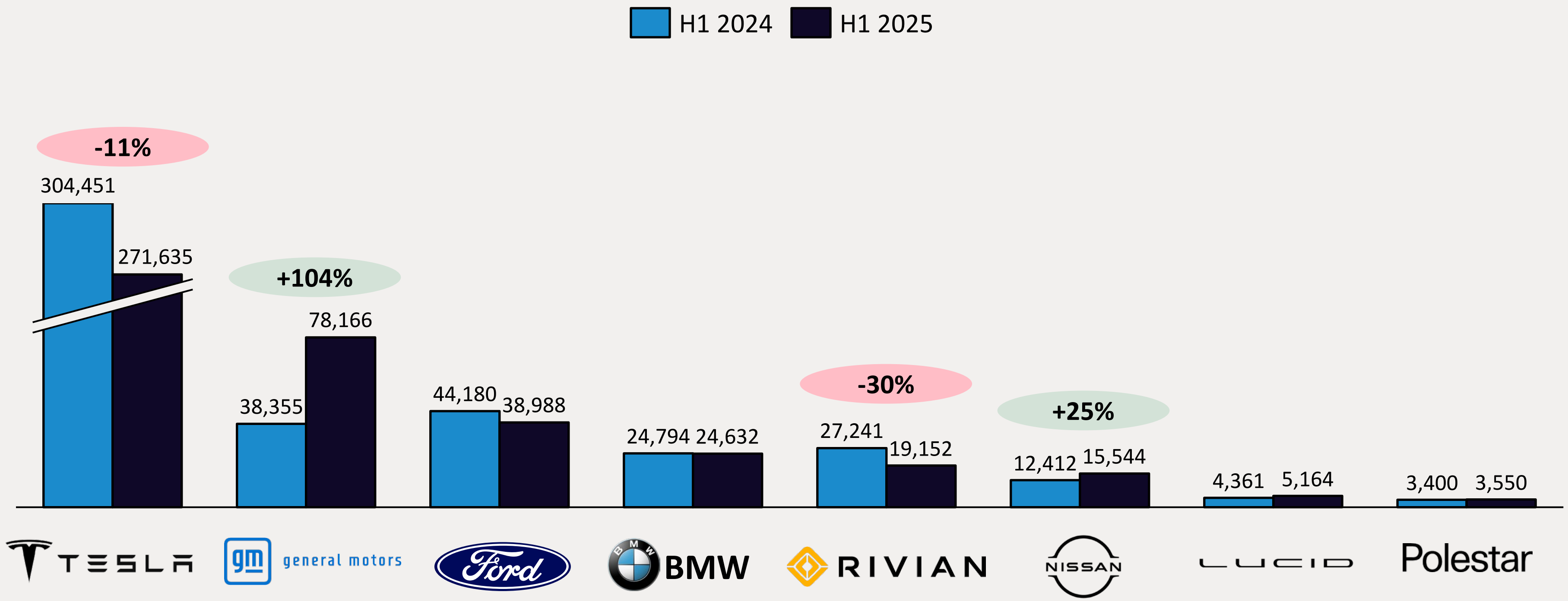
EV Winners and Losers:

While Tesla has suffered from broadly-publicized declines in sales, other brands like Chevrolet, Cadillac, Nissan, and Lucid were able to capitalize and grow sales in the first half of 2025.

Total EV Sales, H1



Electric Vehicle Sales, H1 (2024/2025), by Selected OEMs



- **Much of Tesla's loss was GM's gain**: Chevrolet (+131%), Cadillac (+51%), and GMC (+134%) all saw substantial increases in EV volume sales, with success of the Chevrolet Equinox EV performing showing the appeal of reasonably-priced, compact electric SUVs.
- While Tesla and Rivian both struggled, lesser-selling EV-focused brands **Polestar** and **Lucid** both experienced **modest sales growth** in Q1 and Q2.
- **Q1 drove much of the improvement** in EV results so far in 2025. **In Q2**, overall **EV sales declined 6.3%** from a year earlier, though the winners (GM, Nissan, Lucid) continued to experience sales growth while declines for Tesla accelerated.

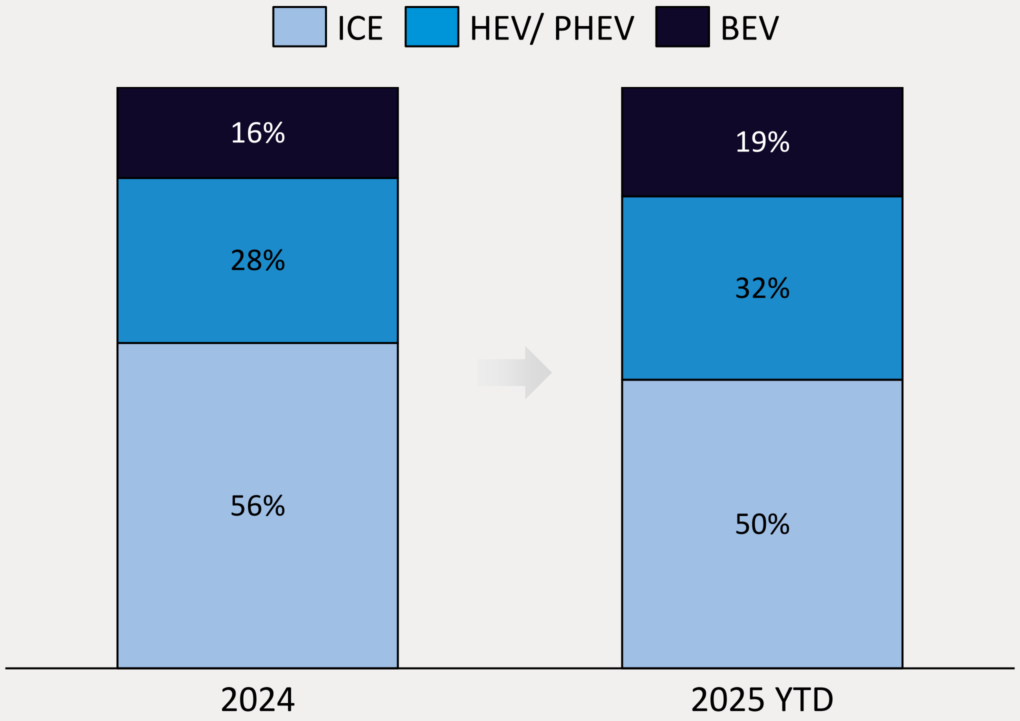
Sources: Cox Automotive and Kelley Blue Blook EV Sales Report
Note: other brands not listed here accounted for 8% increase in sales (collectively rising to 150,250 from 138,640 a year earlier)

EV Trends:

Somewhat surprisingly, surveyed dealers expect ICE vehicles to make up less than half of vehicle sales in 2025, and over a third actively prioritize selling BEV and/or HEV/PHEV vehicles.

Who's Selling ICE, BEV or HEV?

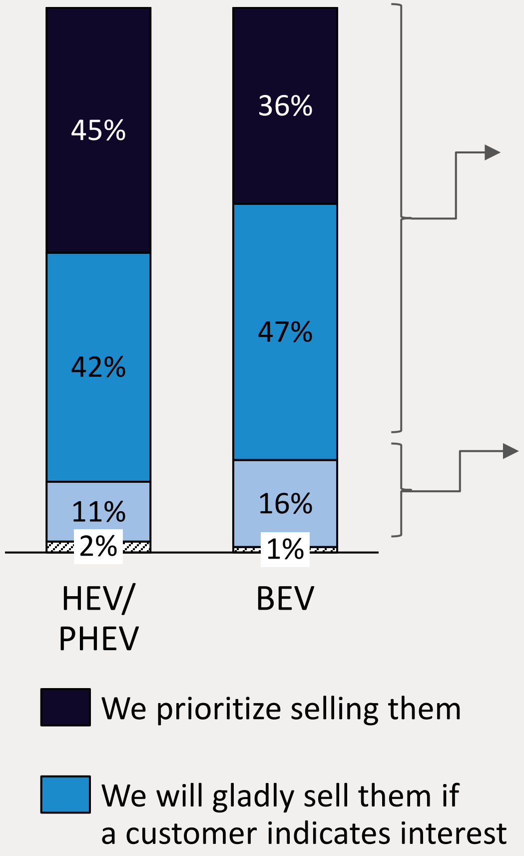
Q: What percentage of your dealership(s) new vehicle sales were each of the following engine types in 2024 and so far in 2025?



Dealers with **<$50MM in revenue** report ~**11% of vehicle sales** coming from **BEV**, while **dealers with over $50MM** in revenue report **23% of sales from BEVs**

Why Prioritize BEV/HEV Models (Or Not)?

Q: How would you define the sale of HEVs/ PHEVs/ BEVs as they relate to your dealership(s) business?



Dealers who prioritize BEV/HEV sales are doing so primarily to **comply with environmental regulations** (*48% of respondents)* and due to **lower days supply than ICE vehicles** *(47% of respondents).*

Dealers who do <u>not</u> prioritize BEV/HEV sales believe that customers **price point is not attractive to customers** *(most common)*, **lower gross margins**, and because **procurement is too difficult or expensive**.

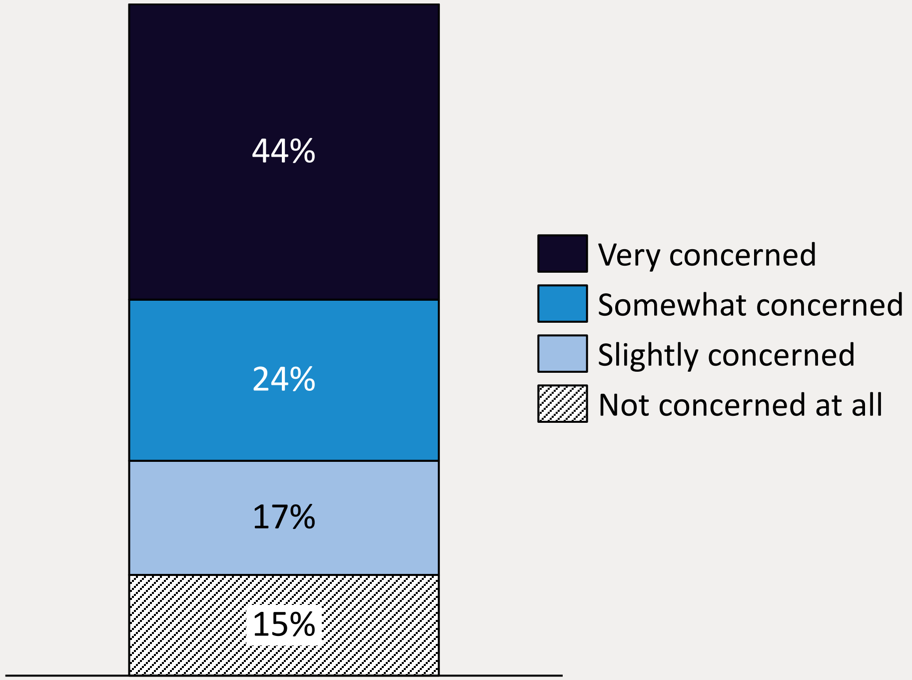
Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: totals may not add to 100% due to rounding

Dealer feedback on Chinese automakers:

Most dealers expect Chinese automakers to enter the U.S. within the next year, and nearly half are very concerned about this.

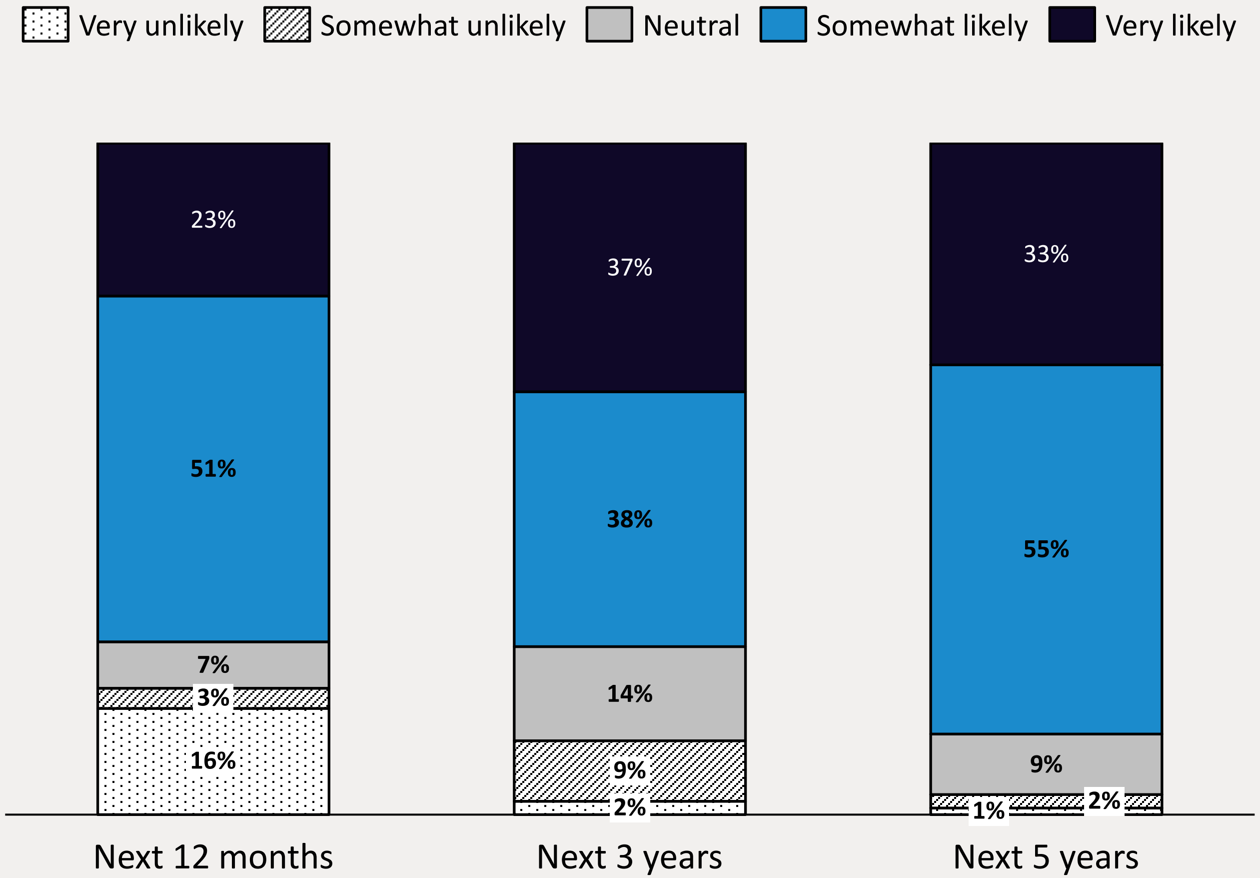
Dealer attitude toward Chinese OEMs

Q: How concerned are you about Chinese automakers (e.g., BYD, Nio) entering the U.S. market?



Expectation for Chinese entry into the U.S.

Q: When do you expect the first Chinese automaker to enter the U.S. market?



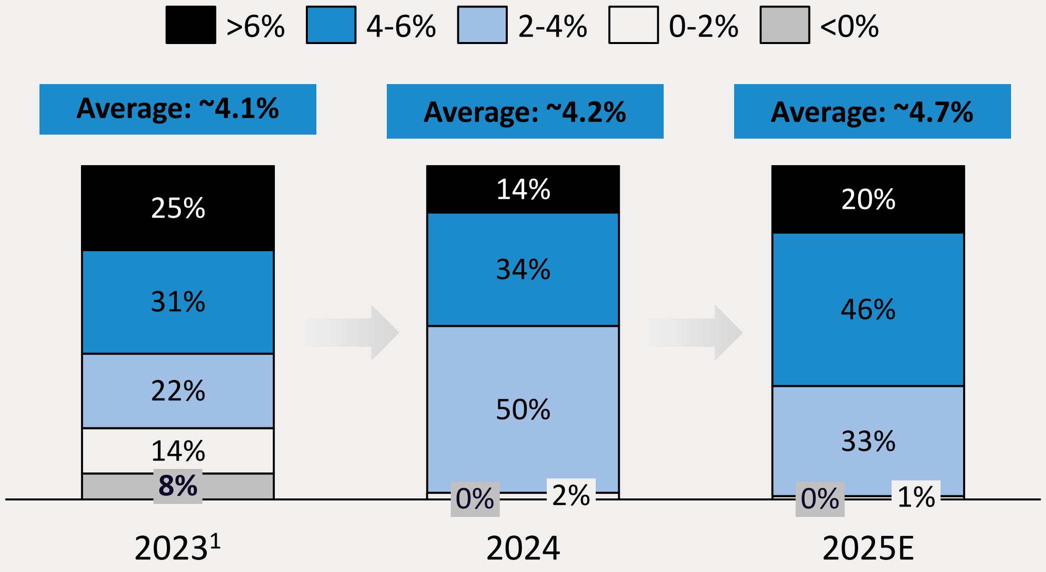
Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: totals may not add to 100% due to rounding

Dealership Sentiment:

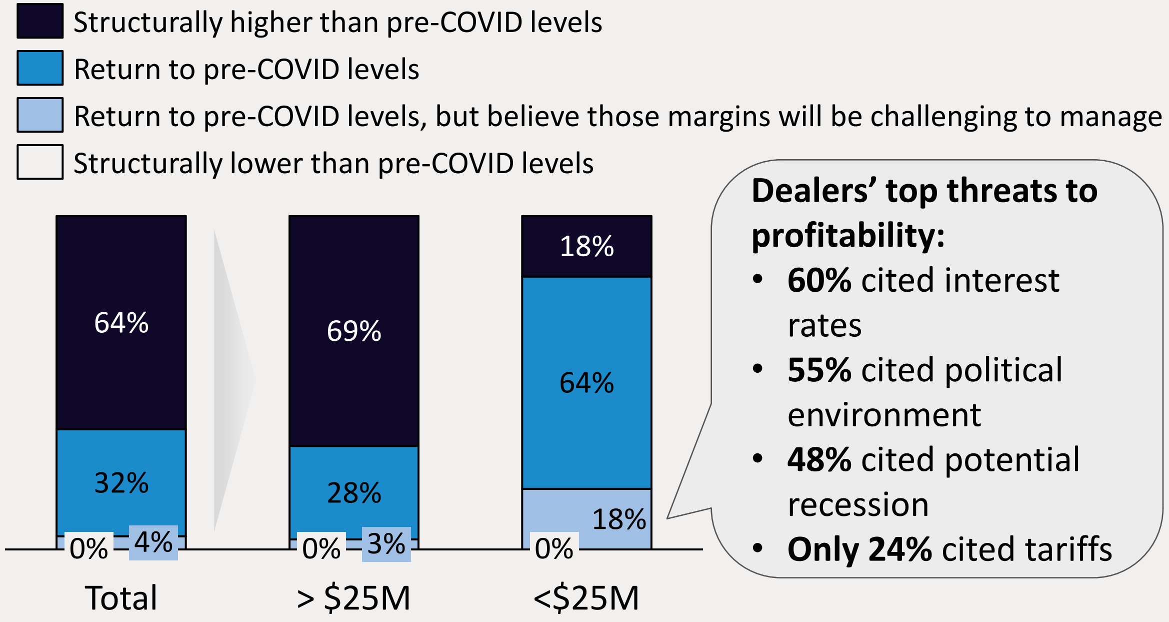
Dealers are confident in margins growing through the end of 2025. Larger dealers are more likely to take a bullish view on profitability than smaller dealers, who are worried about interest rates and political environment.

Profitability Overview and Outlook

Q: What was the pre-tax profit margin of your dealership(s) in 2023? What do you expect the pre-tax profit margin it to be in 2023 / 2024 / 2025?



Q: Which of the following statements best describes your outlook towards profitability for your dealership(s)?



Dealers' top threats to profitability:

- **60%** cited interest rates
- **55%** cited political environment
- **48%** cited potential recession
- **Only 24%** cited tariffs

- **Increasing delta in dealer results:** high-revenue dealerships, especially those associated with the best-performing OEMs (e.g., Honda, Toyota) are expecting extremely strong performance, while smaller and worse-positioned dealerships are increasingly worried about performance.
- *"The **quality of brand is substantially impactful on the financial performance of dealerships**… there are **certain OEMs that are struggling** to the point that dealers have to close stores, while **others are trading at extremely high multiples**"* – AUSTIN WOLFINGTON, LEGACY AUTOMOTIVE CAPITAL

Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: totals may not add to 100% due to rounding
[1] 2023 results skewed toward smaller dealer sample more likely to see negative profitability

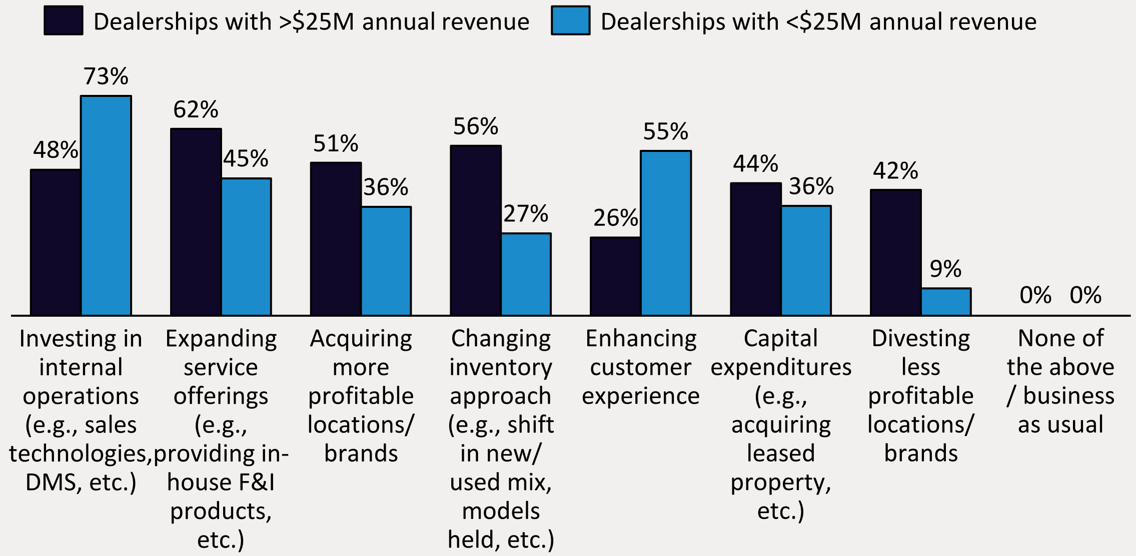
Performance Management:

Smaller dealers seem to be focusing on internal operations while higher revenue dealers are more focused on expansion (of service offerings and / or locations).

Dealership Profitability and Revenue Growth Measures

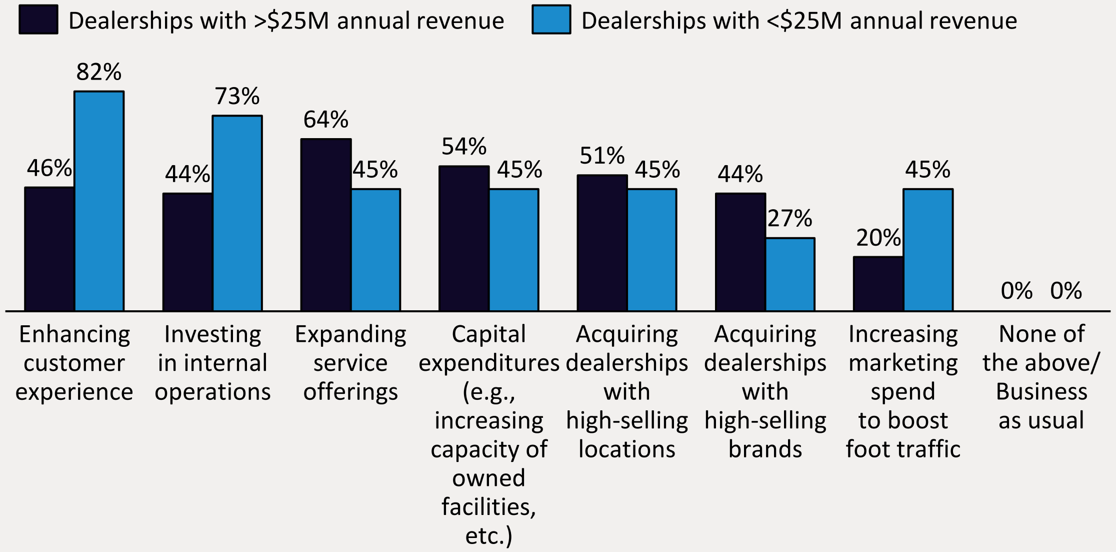
Profitability Growth Measures

Q: Which of the following strategies will your dealership(s) employ to improve or maintain profitability in the coming year? (select all that apply)



Revenue Growth Measures

Q: Which of the following strategies will your dealership(s) employ to drive revenue growth in the coming year? (select all that apply)



- **Large dealers are focused on service offerings and inventory:** on the back of increased willingness to finance, dealers are thinking about enhanced F&I products and other opportunities to boost top- and bottom-line.
- **Smaller dealers are more focused on internal operations:** technology enhancements and improvements in customer experience are top of mind, though smaller dealers are more likely to cite marketing spend as an opportunity.

Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: dealers could select numerous responses

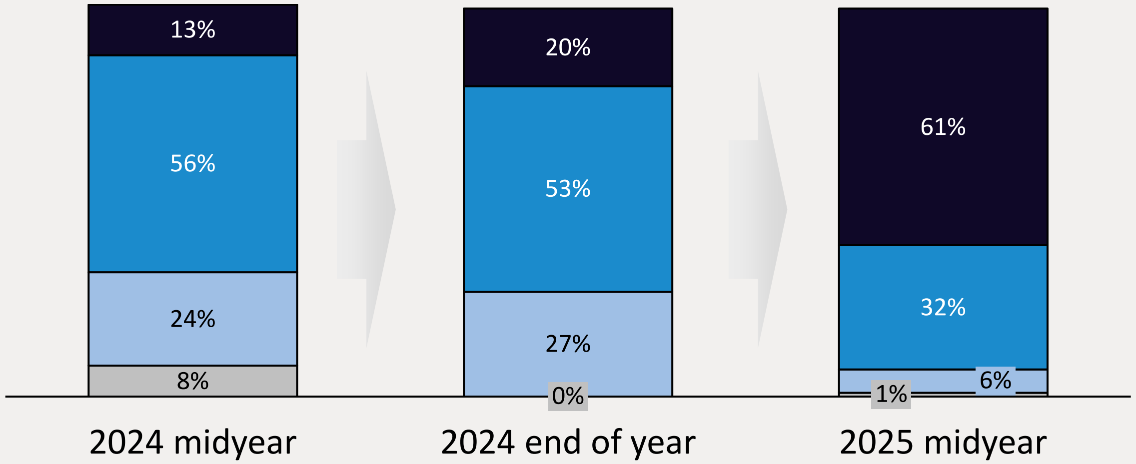
Revenue Expectations:

Overall attitudes toward revenue growth increased versus the start of the year, with dealers most likely to see used vehicle and F&I as significant potential drivers.

Attitudes toward revenue growth

Q: Which of the following statements best describes your outlook towards revenue growth for your dealership(s) over the next two years?

- I believe we can achieve robust revenue growth (>5% annually)
- I believe we can grow our revenue, but only moderately (0-5% annually)
- I believe revenue will remain mostly flat
- I believe revenue will decrease annually



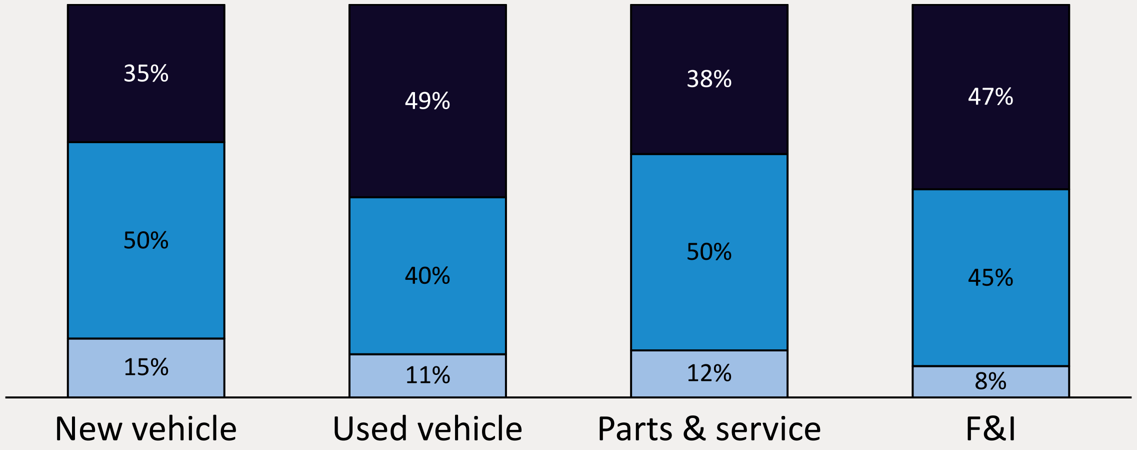
Larger dealers are more bullish: **68%** of dealers with $50MM or more in revenue expect to achieve robust revenue growth, **versus only 33%** of dealers with revenue under $25MM.

Revenue growth drivers

Q: Over the next 5 years, how much potential does each of the following segments have to drive revenue growth for your dealership(s)?

- Very little potential for revenue growth / will be a challenge to manage
- Some potential for revenue growth
- Significant potential for revenue growth

Versus **~18%** citing **significant potential** in MY '24



Likewise, dealers are most likely to report that **F&I or P&S** were "**significantly more profitable**" in 2025 vs. 2024, and least likely to report **new car sales** as **more profitable.**

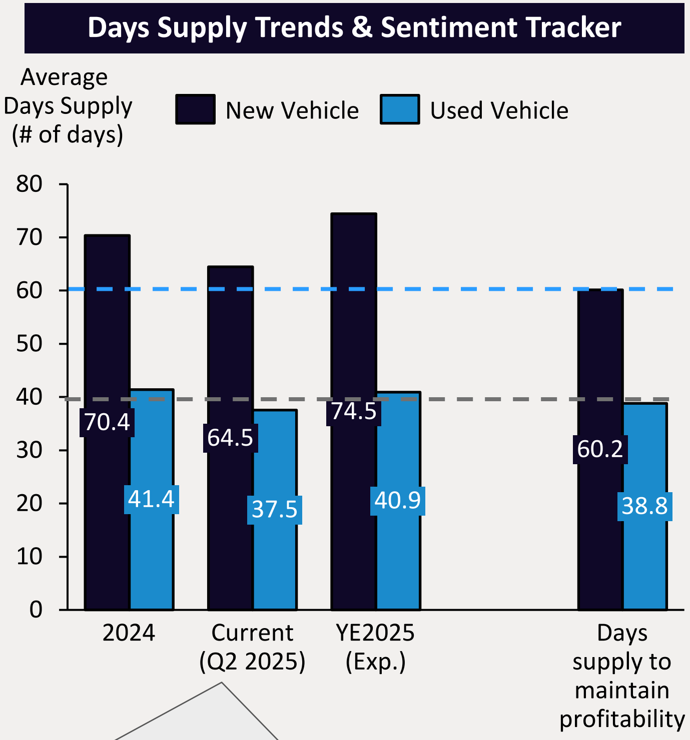
Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: totals may not add to 100% due to rounding

Inventory Management:

While days supply decreased versus the start of the year, dealers expect it to increase again by the end of the year. Dealers are increasingly concerned about changing regulatory environment.

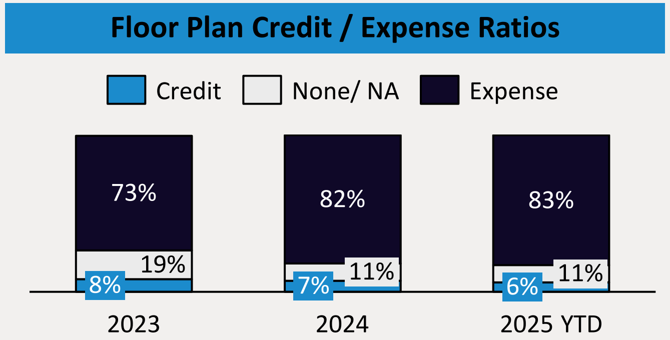
Dealership Inventory Management Trends

Q: What are your days' supply at your dealership(s) in 2024/ today, and expectations for YE 2025?
Q: What days' supply does your dealership(s) need to comfortably maintain profitability?



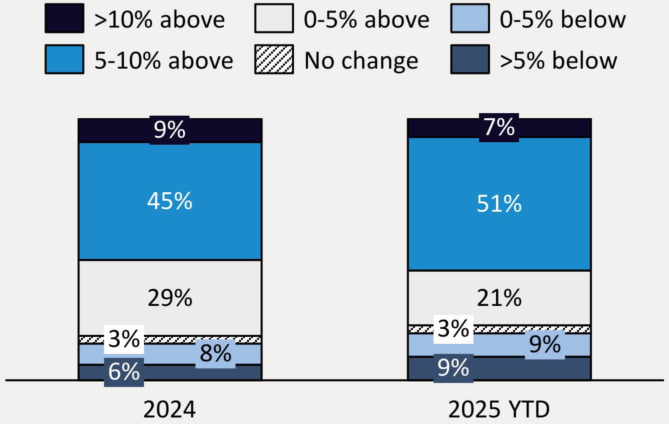
Reported days supply **lowest for crossovers** (28.1 days) and **highest for trucks** (61.7 days)

Q: What was your floorplan credit / expense PVR in 2022, 2023, and 2024?



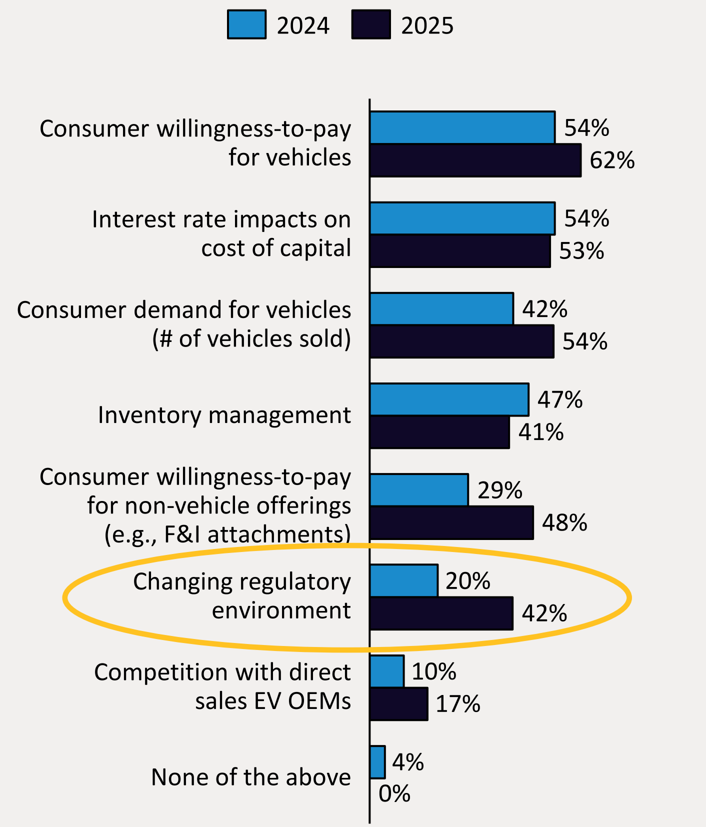
New Vehicle Sales Price Trends

Q: Including incentives, how much are you selling new vehicles relative to MSRP this year vs last year?



Dealership Operation Concerns

Q: Which dealership-specific factors do you believe will pose a significant challenge to your dealership(s) profitability in…? (select all that apply)



Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: totals may not add to 100% due to rounding

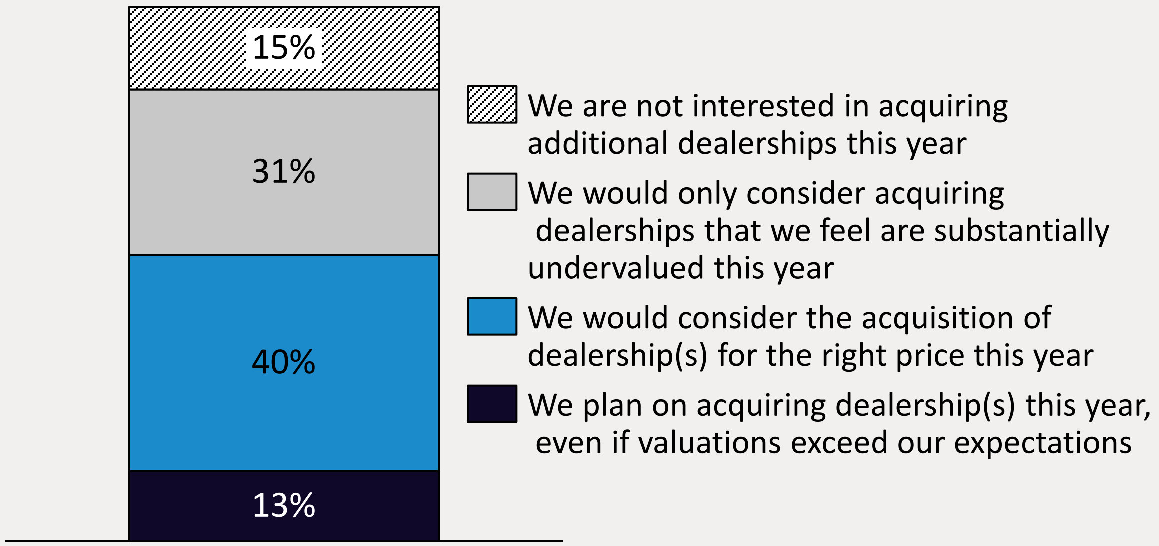
M&A Appetite:

Interest in both buying and selling dealerships appears relatively pronounced going into the second half of 2025.

Dealership Sentiment

Acquiring

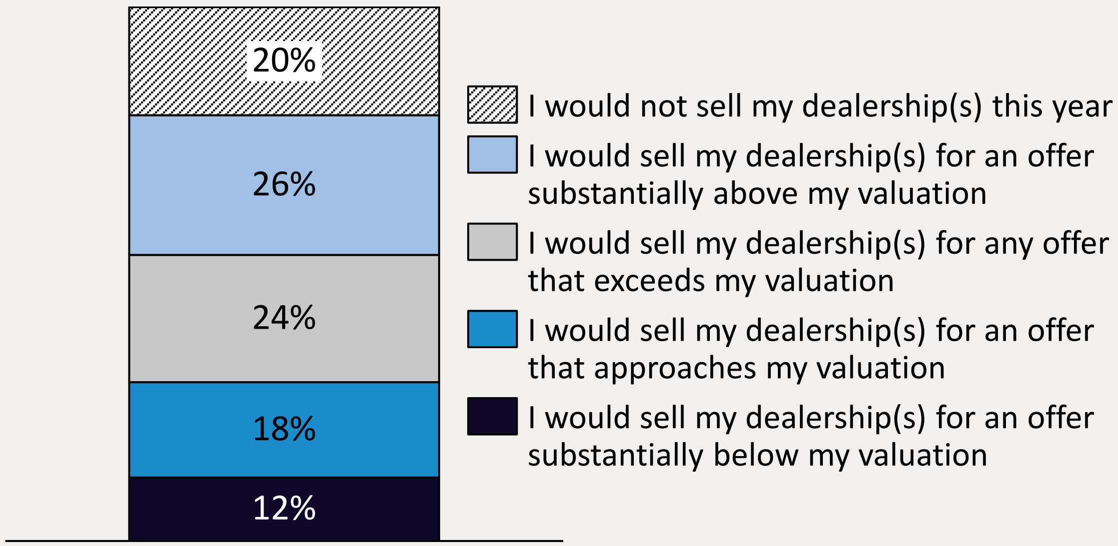
Q: Which of the following statements best describes your / your dealership's perspective towards acquiring dealership(s) in 2025?



Top rationale for acquiring additional dealerships include **gaining efficiency-related operational advantages** (64%) and **mitigating risk by diversifying brand portfolio** (58%)[1].

Selling

Q: Which of the following statements best describes your perspective towards selling your dealership(s) in 2025?



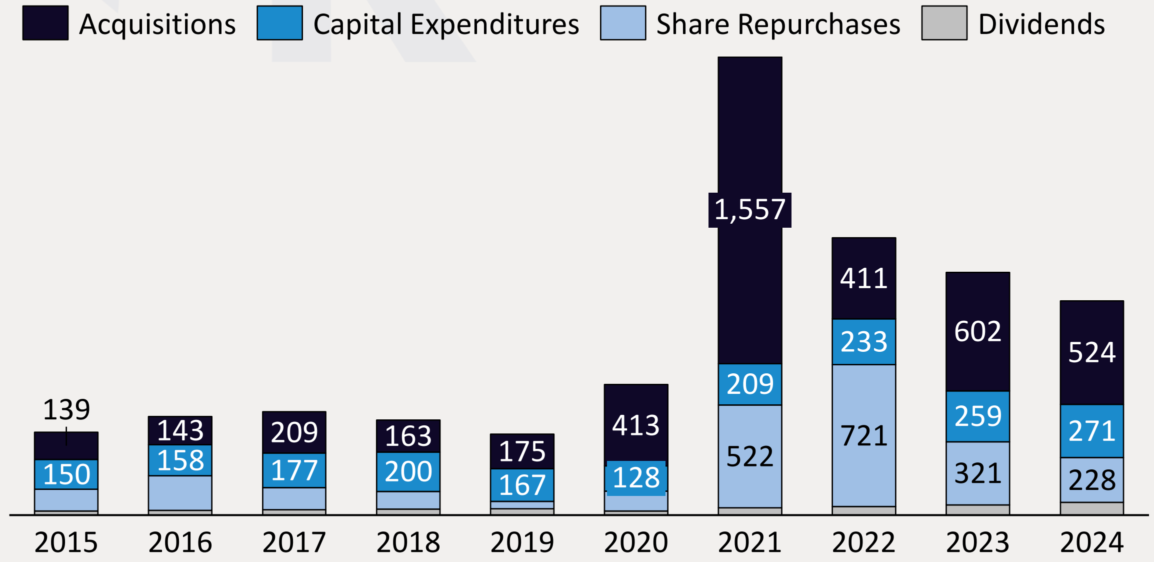
49% of dealerships with an interest in selling note **concerns over short-term outlook of the industry** as the **primary reason** to sell, followed by **lack of succession plan**.

Source: Kaiser Associates 2025 Midyear Dealer Survey
Note: totals may not add to 100% due to rounding
[1]Dealers could select multiple reasons

M&A Activity:

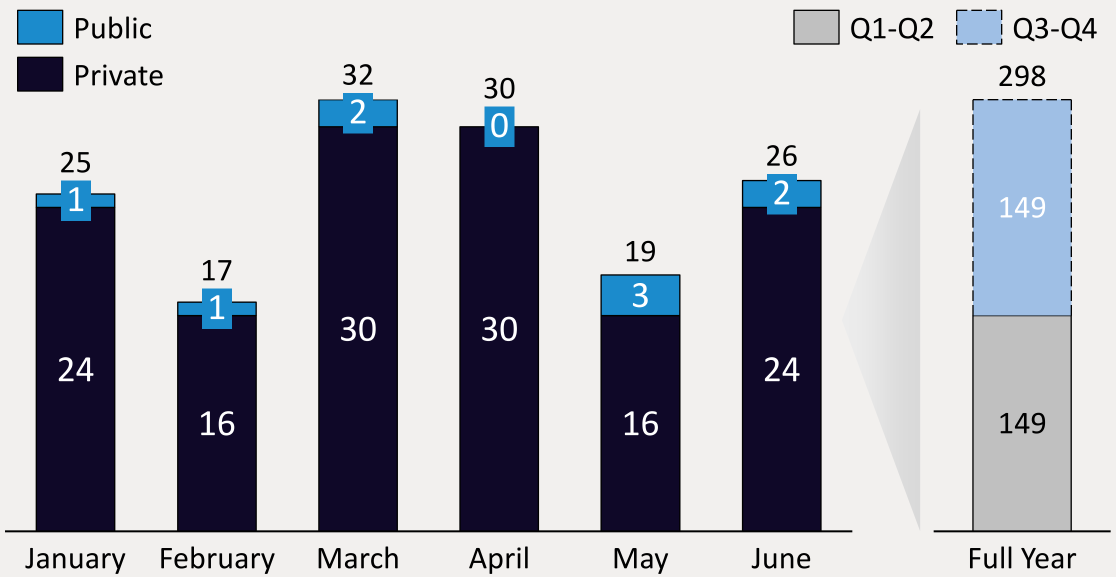
Total spending on acquisitions has continued to fall from a high in 2021, with 2025 also seeing a decrease in average deal size.

Avg. Publicly Traded Capital Allocation by Category, ($mn), 2015-2024



GROUP 1 AUTOMOTIVE	*"Consistent with our acquisition activity completed in 2022 through 2024, we intend to pursue opportunities in growth-positioned market"*	
AutoNation	*"We're confident that the M&A Market itself will present opportunities for us"*	
Sonic Automotive	*"We believe that attractive acquisition opportunities continue to exist"*	
ASBURY AUTOMOTIVE GROUP	*"Our approach to dispositions and acquisitions is highly disciplined with a focus on long-term strategic value to stockholders"*	
LITHIA	*"Our acquisition growth strategy has been financially and culturally successful"*	
PENSKE	*No recent public statements on changes to M&A strategy*	

2025 Franchises Acquired to Date



- The first half of 2025 saw **relatively small deal sizes** (averaging 1.3 dealerships per transaction versus 2.5 for H1 2024) with a **maximum purchase size of 4 dealerships** per transaction (versus 25 for H1 2024).
- Of the 6 public groups, **3 completed transactions** (Lithia Motors, AutoNation Inc., and Group 1), with **Lithia Motors & Group 1 completing multiple.**

*"Today what's happening with consumer sentiment and cost of capital is the **extremes of the market are transacting**… but the **middle dealership groups** are **minimally transacting**"* – AUSTIN WOLFINGTON, LEGACY AUTOMOTIVE CAPITAL

Source: Kaiser Primary and Secondary Research & Analysis; DCG Data insights / JIQ, SEC Filings, Quarterly Earnings Transcripts, Auto News Buy/Sell Data

M&A Sentiment

Bearish *Bullish*

Dave Cantin Group

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